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France, Emphasizing U.S. Ties, Will Sign Pact on Disney Park

By Axel Krause
International Herald Tribune

PARIS — Prime Minister Jacques Chirac of France and executives of Walt Disney Co. will sign an agreement Tuesday to establish Western Europe's first Disneyland theme park.

The park will include hotels, office and shopping centers and will represent a total initial investment of more than 16 billion francs ($2.62 billion).

The project, which gradually will be expanded over 30 years, represents the largest single foreign investment in France's history, French and U.S. officials said Sunday.

At a news conference after the signing of the accord, Mr. Chirac is expected to emphasize his determination to attract other American and foreign investment to France following recent strains in French-U.S. relations over European agriculture, telecommunications and financing of Airbus aircraft, the officials said.

In a related development, the officials said that Mr. Chirac may soon announce his government's intention to award control of CGCT, France's second-largest telecommunications company, to a joint venture led by American Telephone & Telegraph Co. of the United States.

Siemens AG of West Germany and L.M. Ericsson of Sweden also are actively bidding for control of Compagnie Générale de Constructions Téléphoniques, which is being returned to private ownership by the Chirac government.

"We hope that Eurodisneyland will be the example, the demonstration of our willingness to work more closely with American companies," an adviser to Mr. Chirac said. "It is a major, first step."

The adviser said that attracting foreign investment to France would be a major theme of Mr. Chirac's five-day visit to New York and Washington beginning Sunday.

The agreement announced Saturday by Mr. Chirac's office to build the Disneyland theme park on a 4,800-acre (1,945-hectare) site east of Paris ended 19 months of difficult negotiations. It resulted in major financial and legal concessions for Walt Disney Co., which operates similar parks in California, Florida and Tokyo.

The theme park is scheduled to open in early 1992 and expected to attract an estimated 8 to 10 million visitors annually, including more than 5 million from abroad, French and U.S. negotiators said in interviews Sunday. The entry price, while still under discussion, is expected to be set at around 120 francs (about $20).

"Our agreement may be a pioneer, because of some critical points," said Joe Shapiro, Walt Disney's general counsel and senior vice president.

Mr. Shapiro cited as examples the French government's willingness to reduce the state sales tax on ticket receipts to 7 percent from 17.6 percent and agreeing to Disney's demand that any disputes over French government investments may be resolved by international arbitration. In each case, special laws were approved by the National Assembly.

A major compromise also was reached after Mr. Chirac insisted that "European and French culture" be reflected in the leisure

See DISNEY, Page 7

Italy Cites Terrorist Network

Killing Is Called Proof of French, German Links

Reuters

ROME — The assassination of an Italian Air Force general confirms Italian links with leftist guerrilla groups in France and West Germany, according to the authorities investigating the shooting.

The Union of Fighting Communists, a faction of the Red Brigades urban guerrilla group, took responsibility for the murder of General Licio Giorgieri, 62. Two men on a motorcycle fired five shots through the rear and side windows of General Giorgieri's car, as he was being driven home Friday, killing him instantly.

Police set up roadblocks and raided the homes of dozens of suspected leftist sympathizers in the search for the suspects, but the authorities apparently found no trace of them.

Interior Ministry officials said the slaying of General Giorgieri was "perfectly in line" with the 1985 murders of General René Audran of France and a West German industrialist, Ernst Zimmermann.

General Giorgieri headed a department in charge of the construction of air and space weapons for Italy's armed forces.

General Audran, who was in charge of arms procurement for France, was shot to death in Paris by Direct Action, a leftist group. Mr. Zimmermann, the head of a leading arms manufacturing firm, was killed in an attack claimed by the Red Army Faction.

After a meeting of police and security officials, Interior Minister Oscar Luigi Scalfaro said Saturday that there was "sure proof" of links between the three groups.

"This attack bears the mark of European terrorism," he said. This "raises the theory that the killing may have been ordered outside Italy," he said.

The murder, he said, had been prepared with great attention to detail. The killers, he added, were "professionals showing frightening audacity, almost certainly enrolled from the criminal underworld."

Police sources said Italian investigators had been in contact with counterparts in West Germany and France. They said the Italian police

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R. Ronoco/Reuters

President Corazon C. Aquino waving to the crowd at the military academy Sunday.

Aquino Vows to Defeat Insurgents

New York Times Service

MANILA — President Corazon C. Aquino of the Philippines said Sunday that her peace initiatives had failed and that the time had come for military victory over Communist insurgents and rightist terrorists.

Taking the strongest stand so far on military policy in her year-old presidency, she said, "The answer to the terrorism of the left and the right is not social and economic reform, but police and military action."

Her statements at a graduation ceremony of the Philippine Military Academy at Baguio, 130 miles (210 kilometers) north of Manila, appeared to mark an evolution in her approach, from reconciliation to confrontation.

Addressing troops from a grandstand where a bomb killed four persons and wounded more than 40 Wednesday, she said:

"I told you when we were discussing the peace initiatives that when they fail, as we feared they would, and when it becomes necessary to take out the sword of war, that I want a string of honorable military victories."

She offered her "solemn oath" that the Communist insurgency would be defeated by the end of her term of office in five years.

"As I came to power peacefully, so I had hoped to keep it," she told military commanders of an alumni association. "God knows I have tried. But my offers of peace and reconciliation have been met with the most bloody and insolent rejections by the left and the right."

Reproach By Soviet On Arms

Karpov Doubts U.S. Readiness To Scrap Missiles

By Gary Lee
Washington Post Service

MOSCOW — The Soviet Union charged Sunday that the United States was attempting to back out of a proposed agreement on eliminating intermediate-range missiles based in Europe.

"There are more and more signs that the United States does not actually want the elimination of medium-range missiles in Europe," Victor Karpov, chief of the Soviet Foreign Ministry's arms control directorate, said in an interview published Sunday in the official newspaper Izvestia.

Referring to the U.S. proposal, originally made in 1981, to reduce to zero U.S. Pershings and cruise missiles and Soviet SS-20s deployed in Europe, Mr. Karpov said that the so-called "zero option was a bluff from the very start."

Mr. Karpov based his assessment on what he said was a U.S. proposal to allow the medium-range Pershing missiles deployed in West Germany to be converted to a shorter range, thus exempting them from dismantlement under the proposed treaty.

General Maxwell R. Thurman, the U.S. Army vice chief of staff, told a congressional committee March 11 that in the event of an agreement on medium-range missiles, the army would seek to convert medium-range missiles for short-range use. Mr. Karpov said that the proposal has been made in talks in Geneva.

Three weeks ago, Mikhail S. Gorbachev, the Soviet leader, revived the zero option. He proposed a separate agreement for the elimination of Soviet and U.S. intermediate-range missiles from Europe apart from the arms control package he presented at the Reykjavik summit meeting in October.

Mr. Gorbachev's proposal of Feb. 28 has given rise to the most intense U.S.-Soviet arms negotiations in Geneva since Reykjavik. It has heightened expectations of a U.S.-Soviet arms control agreement and to speculation about a third summit meeting between Mr.

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Kiosk

Léotard Assails Pasqua Action

PARIS (Reuters) — Culture Minister François Léotard, distancing himself Sunday from a government anti-pornography drive, described efforts to ban certain sex magazines as an "astonishing political error."

In a radio interview, Mr. Léotard expressed embarrassment over efforts by Interior Minister Charles Pasqua to block some publications. The Interior Ministry announced a ban Thursday on five magazines from public display and distribution under a 1949 law protecting minors, and he threatened five others with the ban.

AP

Microsoft Corp.'s chairman, the first billionaire in personal computers, was known as "Billion Dollar Bill" for just a day. Page 17.

GENERAL NEWS

■ The collapse of U.S. airline talks points to problems of "voluntarism." Page 5.

■ U.S. criticism of Thai refugee policy has caused a dispute with Thailand. Page 2.

American topics is on Page 4.

FASHION

■ Hebe Dorsey reports on the Montana, Lagerfeld and Gaultier collections. Page 7.

BUSINESS/FINANCE

■ The sale of the West German government's remaining stake in Veba AG is expected to be well received. Page 15.

■ U.S. and Latin nations agreed to set aside differences over control of the Inter-American Development Bank. Page 15.

Yugoslav Leader Vows To Put Down Dissent

Reuters

BELGRADE — Prime Minister Branko Mikulic of Yugoslavia was quoted Sunday as saying that Yugoslavia would use "all means," including military, to defend the Communist political system in the face of strikes and political dissent.

Mr. Mikulic made the statement in an interview with West German reporters in advance of a visit to Bonn scheduled to begin Thursday. The interview was published Sunday by the official Yugoslav press agency Tanjug.

It was Mr. Mikulic's first public comment on recent unrest. He said there were people in Yugoslavia questioning the leading role of the ruling League of Communists, the country's Communist party.

"They want to push the League of Communists completely from the political scene," he said. "But that's an illusion."

"If these people would organize to overthrow the constitutional system in our country, then we would do the same thing you would do if the constitutional system in your country was threatened," Tanjug quoted him as telling the reporters.

"There should be no doubt in the country or abroad that we shall defend our system with all means," he said.

"It is written in our constitution. We cannot accept any dialogue on whether Yugoslavia" will maintain its type of government.

Asked if he would use the armed forces to put down the dissent, Mr. Mikulic replied, "I have said all means, and that includes the army, too. Nobody should have any illusions about it."

The deputy secretary-general of defense, Milan Daljevic, said Sunday in an interview in the republic of Slovenia that the army could not be expected to sit in its barracks and avoid politics, but he said that it should not "impose itself on society."

Extracts of the interview were carried by the Tanjug press agency.

"As a people's and revolutionary army, the Yugoslav People's Army cannot and must not stand aside from the main social currents," Mr. Daljevic said. "But at the same time, it has never had nor can it have any ambitions to impose itself on society and act as its arbiter."

There have been widespread strikes in Yugoslavia for the past month to protest a wage freeze Mr. Mikulic imposed Feb. 27. Under the freeze, the government ordered pay to be rolled back to the average levels of the last quarter of 1986. Future wage increases were pegged to increases in productivity.

The government has reported 70 strikes around the country, involving many thousands of workers. Industry sources say there have been more.

The strikes represent the first time that Yugoslav workers have tried to force the government to change a policy through spontaneous job actions. Ministers insist the government will stand firm.

Mr. Mikulic's first official reaction to the strikes came Friday when the government announced a partial three-month price freeze, rolling back many prices to their levels Dec. 31.

Western economists say the price freeze will have a minimal effect. They also said the wage freeze that triggered the strikes had yet to take effect in many businesses and that more strikes were likely.

From Beirut to Oil Fields, Shiites Fight Ancient Foe: Arab Order

By John Kifner
New York Times Service

CAIRO — From the bleak, stony hills of southern Lebanon to the oil fields of the Gulf, Shiite Moslems inspired by Ayatollah Ruhollah Khomeini's Iranian revolution have emerged as a formidable, if unstable, political force in the Middle East.

Outside Iran, the most conspicuous focal point of this new force has been the shell-pocked southern suburbs of Beirut, where militant followers of Hezbollah, or the Party of God, have resisted the Syrian Army's effort to impose order.

The loosely knit movement is believed to have been behind the kidnapping of foreigners in Lebanon and three suicide truck bombings that killed more than 250 American servicemen and diplomats in Beirut in 1983.

Elsewhere in the Middle East, the rulers of Kuwait were shaken when 16 Shiite citizens were arrested and recently charged with bombing oil installations. And in the snowy mountains of northern Iraq, Iran's devout would-be martyrs have seized more ground in the seemingly endless Gulf war.

The Shiites themselves are hardly monolithic. Only in Iran, where most of the population is Shiite, do they wield full political power.

In Lebanon, they range from the radical poor to a comfortable, if relatively powerless, middle class, many of whose members acquired substantial wealth as traders in West Africa. Moreover, Shiite anger is but one of the roots of violence in the Middle East.

By one estimate, Shiites make up 95 percent of the population of Iran but only 45 percent of the population of Lebanon and 40 percent of the population of the United Arab Emirates. In Egypt, Jordan and North Africa, their numbers are negligible.

Still, in many places, the growing Shiite fundamentalist challenge threatens the established Arab order, which is largely Sunni Moslem. The struggle reflects a bitter schism between the Sunni and Shiite branches of Islam that dates from the religion's earliest days, according to scholars and diplomats.

"This is a seventh-century battle, a primitive, atavistic struggle, being refought with the arguments — and the weapons — of the 20th century," said Fouad Ajami, a Lebanese-born scholar who lives in Washington.

The violent emergence of a disenfranchised Shiite underclass has been most dramatic in Lebanon. There, the middle-class leadership of the reformist Shiite movement Amal has been overtaken by the militant slum dwellers of the Iranian-oriented Hezbollah.

Shiites also are challenging established power in other areas of the Middle East, where religion still defines social and political life. These areas include Kuwait, Bahrain, the oil-producing eastern province of Saudi Arabia and Iraq.

Iran's fundamentalist revolution and its subsequent successes in six years of war with Iraq have catalyzed Shiites in a number of Arab lands, experts say. They say that the very rituals and rhetoric of Shiism are inherently revolutionary.

> **'The Shiites have a long tradition of not identifying with the state, which is Sunni. In most societies of the Middle East they are the underdogs.'**
>
> ***— A European diplomat***

"The Shiites have a long tradition of opposition, of not identifying with the state, which is Sunni," a European diplomat said. "In most societies of the Middle East they are the social and economic underdogs."

"The new element," he added, "is that they have gotten through Khomeini the idea of the Islamic republic, of a state of their own."

Mr. Ajami, himself a Shiite from southern Lebanon, says he sees in the recent developments a defeat for moderation and reform and a reversion to "the tribe, the clan and the sect that has always dominated Arab social organization."

"For Islamic modernists, reformers, the middle ground has caved in," Mr. Ajami, a professor at Johns Hopkins University, said in a telephone interview. "There isn't any middle ground. It's economic privilege on one side and wrath on the other. We're in for a long season of carnage."

The roots of the conflict are in the death of Mohammed in 632 and the split of the religion that he founded into two main branches, Sunni and Shiite. Islam was both a religion and a state, embarking on its first conquests of the Arabian Peninsula, and it needed a new leader to survive.

Mohammed's companions chose Abu Bakr to become the caliph, or deputy. But some felt the choice should have been Ali ibn Ali Talib, who was married to Mohammed's daughter, Fatima. His folowers became the "shia," meaning "partisans," of Ali.

The death in battle in 680 of Ali's second son, Hussein, in the desert at Karbala, in what is now Iraq, crystallized the schism and gave the Shiites their emphasis on suffering and martyrdom.

"In their own perception, the Shia were the opposition in Islam, the defenders of the oppressed, the critics and opponents of privilege and power," Bernard Lewis, an authority on Islam, wrote. "The Sunni Moslems, broadly speaking, stood for the status quo, the maintenance of the existing political, social, and above all religious order."

In Islam's rich legacy of internal conflict, a succession of subsequent Shiite leaders, or imams, were slain. The Twelfth Imam, still a child, was concealed from his enemies in 872.

Shiites believe that this "Hidden Imam" will one day return as the Mahdi, or Redeemer, to establish the perfect society, and that until then, all temporal authority is illegitimate. This belief has lent Shiism a messianic cast and presaged its political radicalism.

"It's a terribly fertile religion in terms of its mobilization symbols," said Lieutenant Colonel Richard Augustus Norton, an Arabist who teaches at the U.S. Military Academy.

The fine points of Shiite doctrine are important in understanding the adherents' political behavior, a diplomat noted. He

See SHIITE, Page 8

A Brash Best-Seller in Moscow

Magazine Pushes Limits of Gorbachev's Openness Campaign

By Felicity Barringer
New York Times Service

MOSCOW — The article in the magazine Ogonyok was a masterpiece of bare-knuckled brevity.

First, it quoted Felix F. Kuznetsov, head of the Moscow branch of the writers' union, as disparaging Vladimir Nabokov, the émigré author, as anti-Soviet. A second quotation from Mr. Kuznetsov followed, this one praising Mr. Nabokov as a figure of "cultural and historical value." Time elapsed between the two comments: three months, nine days.

With this impertinent juxtaposition, Ogonyok, once a pallid feature magazine, confirmed its reputation as the brash advance guard of Mikhail S. Gorbachev's new openness.

These are among the things Ogonyok has done in the last two months:

- Published a detailed and chilling exposé of a criminal suspect tortured by police in Petrozavodsk.
- Sent Moscow teen-agers into the streets in search of "lyubers," young toughs from a southeast suburb named Lyubertsy who were described in an Ogonyok piece as intent on fighting the city's young hippies and punks.
- Stolen a march on more staid literary monthlies by being first to publish excerpts from Anatoli Rybakov's "Children of the Arbat," a frank novel about Stalin's terror. The magazine's editor has promised to publish later this spring excerpts from the Boris Pasternak novel "Doctor Zhivago," banned in the Soviet Union. The entire novel is to appear in early 1988.
- Sent a reporter to accompany soldiers to Afghanistan, so that, in the words of the editor, Vitali Korotich, "we can write about how the soul of a 17-year-old is shaped when he falls into that situation."

The feisty tone of the magazine reflects Mr. Korotich's personal style. A 50-year-old Ukrainian poet who in his 20s was a physician before turning to full-time writing in the mid-1960s, he belongs to a generation whose young adulthood coincided with Nikita S. Khrushchev's thaw.

Like others of that generation — the poets Andrei Voznesensky and Yevgeni Yevtushenko, the bard Bulat Okudzhava and the critic Robert Rozhdestvensky — Mr. Korotich seems to find the relaxation of cultural controls reawakening old enthusiasms, giving him a chance to flex the intellectual and critical muscle of his youth.

"As soon as I took over Ogonyok," he said recently, "I told the staff: 'I don't want you bringing in articles on anything that you don't talk about at home. If a subject does not interest you, it does not interest me.'"

He encouraged the departure of older staff members, hired younger ones, including four under the age of 27, and assigned or accepted

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Felicity Barringer/The New York Times

Vitali Korotich, editor of the Soviet magazine Ogonyok.

Unfamiliarity of Enemy Complicates War on Heroin Trade in New York

By Peter Kerr
New York Times Service

NEW YORK — As the Mafia's role declines, the multibillion-dollar heroin trade in New York is increasingly being conducted by criminal organizations that together sound like a United Nations of drug smugglers, including Chinese, Thais, Pakistanis, Indians, Iranians, Afghans, Nigerians and Israelis.

Last year, for example, U.S. officials had to scour the city for eight translators of the African language Twi to assess wiretaps of a ring of heroin smugglers from Ghana.

Since January, more than a dozen Israelis have been arrested for drug trafficking, and officials say there are at least four major Israeli criminal organizations stretching across Asia, Europe and North America.

More than any other ethnic group, law-enforcement officials say, overseas Chinese with contacts in Bangkok, Hong Kong and throughout the United States have developed large, sophisticated but little-understood international drug trafficking organizations.

The Chinese groups, the Federal Drug Enforcement Administration estimates, are now responsible for more than 30 percent of the heroin entering New York.

Yet few police departments and U.S. agencies charged with fighting drug traffickers have begun to learn the languages, cultures or even the identities of new groups that could eventually pose as severe a threat as the well-known Mafia families.

For decades, the Mafia dominated the importation and processing of heroin. Its involvement stemmed from the 1930s when, at the end of Prohibition, bootleggers had the capital, experience and overseas contacts to turn their smuggling operations from alcoholic beverages to narcotics.

Until the late 1960s, they were able to dominate a business that bought Turkish opium, processed it into heroin in laboratories in Marseille or Corsica and sold to distributors in poor inner-city neighborhoods.

Although most Mafia leaders proclaimed their disdain for the drug business, many, including Vito Genovese, the head of one of New York's five mob families, became heavily involved.

But in the early 1970s, a crackdown on opium production in Turkey shifted the source of heroin increasingly to Mexico, Southeast Asia and areas in Pakistan, Afghanistan and Iran — places where the Mafia did not have extensive contacts.

In addition, the growth of international air transportation made it easier for groups in source countries to smuggle the drug.

Finally, officials say, it was the Mafia's involvement in the drug business that led to the most dam-

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U.S. Criticism Over Refugees Nettles Thais

By Keith B. Richburg
Washington Post Service

BANGKOK — The Reagan administration's sharp public criticism of Thailand last week for repatriating 38 Hmong hill tribesmen to Laos has escalated into a diplomatic feud and exposed deep-seated Thai sensitivity to Western criticism of its handling of Indochinese refugees.

The dispute also underscored Washington's delicate position in criticizing Thai refugee policy. The official Thai stance has been that nations critical of Thailand's policy should be willing to accept the refugees.

Thai officials have complained that their nation has shouldered most of the burden of the Indochinese refugees. They say that Western countries, which eventually were to accept the refugees for resettlement, have lost interest.

The latest dispute arose March 15, when Thai authorities sent 38 Hmong hill tribesmen across the Mekong River into Laos. They reportedly had entered Thailand illegally among a group of about 100 Hmong, who Thai officials said had sneaked into the Ban Vinai refugee camp.

In an unusually sharp public criticism, Charles E. Redman, the State Department spokesman, said Thursday that the United States deplored the repatriation.

He accused the Thais of handing over the Hmong to soldiers of the Communist government in Laos and called the incident "possibly the most serious instance of forced repatriation from Thailand since 1979."

In Washington, the Thai ambassador, Arsa Sarasin, said he told John C. Whitehead, the U.S. deputy secretary of state, on Saturday that the U.S. criticism of Thailand's refugee actions was "uncalled for."

The ambassador said Thailand resented "very much" that Washington had issued its criticism publicly rather than confining it to diplomatic exchanges.

Mr. Sarasin spoke in an interview after being summoned by Mr. Whitehead to discuss the developments along the Thai-Laotian border.

"We don't want to be treated as a client state," Mr. Sarasin said.

The dispute is colored by the Hmong's past association with the U.S. Central Intelligence Agency, which recruited and trained the hill tribesmen to be anti-Communist insurgents during the Indochina war years.

Some Thai officials have suggested that the United States's primary concern about the Hmong being returned was over their past U.S. government connections.

Some refugee officials in Washington have said the Hmong would be tortured and possibly killed if they were returned to Laos.

On Friday, Thai Foreign Ministry officials told the U.S. ambassador, William Brown, that the Hmong had been sent to a safe place in Laos and had not been turned over to the Laotian government.

The State Department said late last week, however, that "official reports from several sources" said that 38 Laotian hill tribesmen were "turned over to Laotian officials who came in boats to the Thai side" of the Mekong River on Sunday.

Somphand Kokilanon, a Thai Foreign Ministry spokesman, said Deputy Foreign Minister Prapass Limpabandhu suggested to Mr. Brown that the United States take half of the 50,000 Hmong now awaiting resettlement at Ban Vinai. Mr. Kokilanon said Washington planned to take about 9,000 Hmong for resettlement during the current fiscal year.

"If the U.S. is so concerned with the human rights of 38 Hmong," he said, "it must be even more concerned about larger groups."

Mr. Prapass also reportedly assured the U.S. ambassador that Thailand had not changed its policies toward refugees but would still insist on screening procedures to distinguish genuine refugees fleeing political persecution from illegal immigrants.

U.S. and international refugee officials have asked Thailand for permission to visit the areas where the Hmong are entering the country. Thai officials reportedly are considering allowing reporters to tour the area.

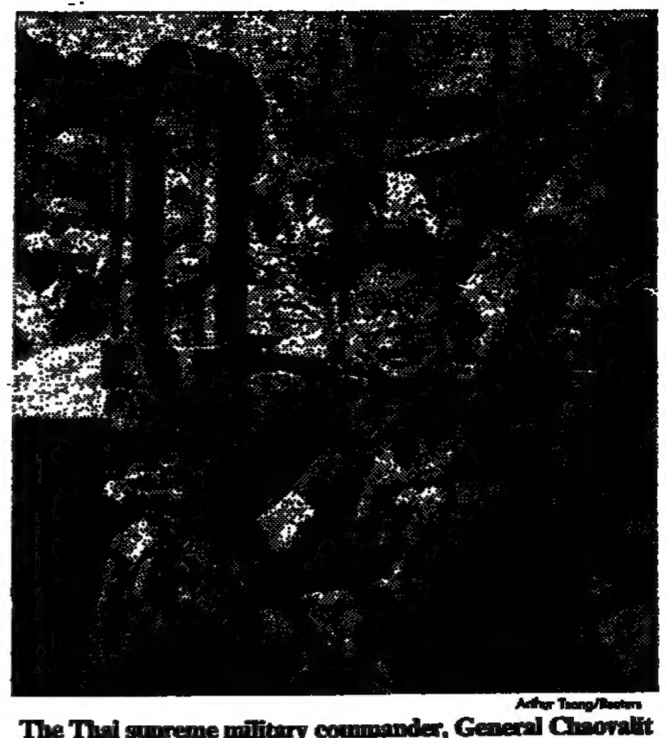
Officials from Western relief agencies had quietly expressed concern that the repatriation of the Hmong to Laos, following the announced closure in January of the Khao I Dang camp for Cambodians, could signal a new and less tolerant shift in Thailand's refugee policy.

On Tuesday, before the dispute erupted publicly, Thai authorities reported arresting 97 illegal Hmong immigrants in a separate incident. All of them were repatriated, they said.

■ Thais, Vietnamese Clash

Seventeen Thai soldiers have been killed and 70 wounded in a two-month battle with Vietnamese troops in northeastern Thailand, according to Thai news reports on Sunday, The Associated Press reported from Bangkok. Heavy Vietnamese casualties were also reported.

Thai troops have been fighting the Vietnamese soldiers, who entered Thailand from Cambodia in pursuit of Cambodian guerrillas, since mid-January. News reports on Sunday quoted military officials as saying there were about 800 Vietnamese troops in Thailand.



Arthur Tsang/Reuters

The Thai supreme military commander, General Chaovalit Yongchaiyut, pointing to the position of Vietnamese troops fighting Thailand's forces on the Thai-Cambodian border.

WORLD BRIEFS

2 Reported Held in Djibouti Blast

PARIS (AFP) — A Kuwaiti and a Tunisian have been arrested in Djibouti in connection with a bombing on Wednesday in which 11 persons were killed and 45 were wounded, sources said here on Sunday.

They could not say when the arrests took place or who was behind the attack, but they said the Tunisian had confessed to his participation. Five Frenchmen, two civilians and three members of the French military, were killed in the explosion at a crowded café, as were three West Germans and three Djiboutians. France has 4,000 troops stationed in the country.

In Djibouti, Interior Minister Youssouf Ali Chirdon had said earlier that the person behind the bombing was "not a Djiboutian." No group has claimed responsibility for the attack, but the authorities suspect either a Djiboutian opposition group or an international terrorist organization.

Oslo Probes Firm's Sales to Soviet

OSLO (IHT) — The Norwegian authorities are investigating U.S. allegations that a state-owned company, Kongsberg Vaapenfabrikk, has sold computer-aided design technology to the Soviet Union that will enable the Russians to produce quieter submarines.

Norway's minister of defense, Johan Joergen Holst, confirmed Saturday that the investigation had been going on about two weeks. He called the allegations "very serious."

Kongsberg Vaapenfabrikk has not commented, beyond an assurance from its chairman, Karl Glad, that the company is cooperating with authorities.

U.S. Official Assails Trade Measure

WASHINGTON (LAT) — The Reagan administration's chief trade official has warned the leadership of the House Ways and Means Committee that he would recommend that President Ronald Reagan veto the bill if it is not substantially changed.

The unexpectedly harsh view by the U.S. trade representative, Clayton K. Yeutter, was set forth in a letter to the committee leaders. He particularly objected to provisions limiting presidential negotiating authority and mandating some retaliation against countries with large trade surpluses.

The Ways and Means Committee has been attempting to draft a bill that would meet the administration's requirements for trade flexibility while satisfying many Democrats' demands for greater measures to increase U.S. industries' competitiveness.

Party Elects FitzGerald's Successor

DUBLIN (AFP) — Fine Gael, Ireland's main opposition party, has chosen Alan Dukes to succeed Garret FitzGerald as party leader. Mr. FitzGerald resigned after the party was voted out of power last month.

Mr. Dukes, 42, defeated Peter Barry, foreign minister in the last FitzGerald cabinet, and John Bruton, a lawyer, in Saturday's poll of Fine Gael's 82 legislators in the two houses of the Irish parliament, the Dail.

Mr. Dukes was an official at the European Commission, the administrative arm of the European Community, for eight years and was given much credit for large agricultural subsidies given to Ireland during the 1970s. He returned to Ireland in 1981 to enter parliament and immediately became agricultural minister and then successively finance and justice minister in Mr. FitzGerald's cabinets. He is considered a liberal on such questions as divorce and contraception that have divided Irish society.

Bob Hobby/Reuters

Alan Dukes after the vote.

Greek Junta Leader Found Hanged

ATHENS (NYT) — A leader of the military junta that ruled Greece from 1967 to 1974 was found hanged in his prison cell Sunday, police said.

The authorities said a guard found General Odysseas Anghelis, 75, hanging from the ceiling of a cell at Korylados prison in a suburb of Athens. It was the first reported incident of its kind since more than 20 military officials were imprisoned, some for life, after democracy was restored in July 1974. Eleven of them remain in prison. The others died or were pardoned.

General Anghelis was serving a 20-year term for his part in the takeover, which was led by Colonel George Papadopoulos. During the junta's rule, he served first as chief of staff, from 1967 to 1968. He was commander-in-chief of the armed force from 1968 to 1973, when he was appointed vice president. The prison authorities declined to give details of how the death occurred.

For the Record

Jimmy Carter met with President Hafez al-Assad of Syria for three hours at the presidential palace in Damascus on Sunday. No details of the talks were immediately available. It was the second time they had met since the U.S. president left the White House in January 1981. *(AFP)*

The discovery of caches of arms and explosives in the Paris region has led to the arrests of five Tunisians, French Interior Ministry sources said today. It is the fifth cache of arms and explosives discovered by French security forces in the past six months. *(Reuters)*

TRAVEL UPDATE

British Airways will carry out special checks on its 19 Lockheed Tri-Star jets, the company said Sunday, because one was found to have a crack in the metal rings attaching the floor support to the fuselage. The company said there had been no danger to the aircraft, which was grounded. *(AP)*

Sabena Airlines planes were idle for the third consecutive day Sunday while ground personnel remained on strike, Sabena Belgian World Airlines spokesmen reported. An attempted mediation on the first day of the strike failed. There has been no attempt to resume talks. *(AP)*

Correction

A New York Times dispatch that appeared in the March 14-15 American Topics column incorrectly described a lawsuit by a British scholar who was denied a professorship at Stanford University. The scholar, Norman Davies, asserts that members of the history faculty denied him the appointment because of his academic work, but he does not contend that religion was a factor in their opposition.

Ukraine Party Struggle Tests Gorbachev's Might

By Philip Taubman
New York Times Service

MOSCOW — Mikhail S. Gorbachev has encountered opposition in recent weeks in trying to gain control of the Communist Party in the Ukraine, according to Soviet officials and Western diplomats.

They described the confrontation Saturday, which pits Mr. Gorbachev against the Ukrainian party chief, Vladimir V. Shcherbitsky, as a test of strength for the Soviet leader.

Mr. Shcherbitsky, who is the longest-serving member of the policy-making Politburo in Moscow, has strenuously resisted an effort to remove him as first secretary of the Ukrainian party.

The Soviet officials and foreign diplomats said that a meeting of the Ukrainian Central Committee, originally scheduled for March 10, was postponed because Mr. Gorbachev lacked sufficient supporting votes to replace Mr. Shcherbitsky.

Three Ukrainian provincial party leaders who had close ties with Mr. Shcherbitsky and with Brezhnev, who died in 1982, have been dismissed as part of an evident effort to undercut the position of the Ukrainian leader.

The Ukraine, with a population of 51 million and a highly developed industrial and agricultural economy, is the second-most important of the Soviet Union's 15 constituent republics, after the Russian republic.

Power struggles within the leadership usually are shrouded in secrecy, and the Soviet officials and Western diplomats who discussed the Shcherbitsky case said that they were not privy to many details.

But they said that the case offered an unusual chance to observe at least some parts of a political confrontation as it unfolded.

Although Mr. Gorbachev has moved rapidly to consolidate power since taking office in March 1985, his control of the party appears far from absolute and there have been signs of opposition to his agenda for change.

A failure to remove Mr. Shcherbitsky, who is 69 and has been the Ukrainian party leader and a member of the Moscow Politburo since the early 1970s, would be a setback for Mr. Gorbachev and could lend encouragement to those who oppose his policies, diplomats said.

The Western diplomats said that the struggle to remove Mr. Shcherbitsky might explain why Mr. Gorbachev, who normally maintains a high profile, has not made a public appearance since March 6.

"We hear that Gorbachev has spent part of the time in the Ukraine making sure he has the horses to topple Shcherbitsky," a diplomat said.

Soviet officials said that the two men had quarreled at a meeting of the Moscow Central Committee in January and that Mr. Gorbachev has made no secret of his desire to remove Mr. Shcherbitsky.

Soviet Aide Says Afghan Invasion Was a 'Mistake'

New York Times Service

NEW YORK — A deputy Soviet delegate to the United Nations said in New York that the Soviet invasion of Afghanistan was "a mistake."

The official, Roland Timerbaev, was speaking Friday at a conference on export controls and technology transfer at Columbia University. Later, in a telephone interview, he acknowledged making the remark but said he had been speaking for himself, not for the Soviet government.

Several people who were at the meeting said Mr. Timerbaev's comment came after Representative Stephen J. Solarz, Democrat of New York, who was the guest speaker, suggested that the United States should apply more pressure to force the Soviet Union to pull its troops out of Afghanistan. Russian troops entered Afghanistan in 1979 in support of a Communist government.

"We accept that what we did in the past was a mistake, but we want to pull out our troops now," Mr. Timerbaev reportedly said, in criticizing Mr. Solarz's suggestion.

One member of the audience, said "the whole room went quiet when he said that. According to one member of the audience, Mr. Solarz said that "it was the first time he had ever heard a Soviet official say the invasion was a mistake."

Chad Says It Captured Libyan Base In North; France Confirms Claim

Reuters

NDJAMENA — Chad said Sunday that its forces had captured the Libyan air base of Ouadi Doum after what it described as an "unforgettable" battle.

In Paris, a French Defense Ministry spokeswoman confirmed that the base had been taken by troops loyal to President Hissène Habré.

Ouadi Doum, which Western intelligence sources said was protected by about 5,000 men, was Libya's most important military base in the north of the country.

Its capture would mark the biggest victory by Chadian forces since they began a drive to reconquer the north in December.

"The National Armed Forces of Chad entered Ouadi Doum at 1800 GMT today after a violent battle that will remain unforgettable in Chadian history," said a statement read over Ndjamena radio.

The Chadian statement gave no report on the number of casualties in the battle for Ouadi Doum.

Tens of thousands of people ran into the streets of the Chadian capital to celebrate the victory, cheering and firing shots in the air. The authorities said they would hold a victory parade Monday in Ndjamena.

Ouadi Doum, which has been bombed twice by French bombers in retaliation for Libyan air strikes, serves as the main base for Libya's Soviet-made Tupolev, Sukhoi and MiG aircraft.

It was from that base that Libya launched many of its frequent bombing raids against government positions in the north.

Chad has reported repeated clashes around the heavily defended base in northern Chad over the past week.

However, Libyan television, monitored by the British Broadcasting Corp., said that pro-Libyan Chadian forces had "completely crushed" Chad government forces in a battle between Ouadi Doum and Ouadi Namous on Sunday.

The broadcast made no reference to the fate of the Libyan air base at Ouadi Doum.

On Saturday, Chad announced that 786 Libyans had been killed in fighting at the outpost of Bir-Koura, about 30 miles (45 kilometers) south of Ouadi Doum.

Tutu, After Meeting ANC Leadership, Says Cease-Fire Request Was Rejected

Compiled by Our Staff From Dispatches

JOHANNESBURG — Desmond M. Tutu, the Anglican archbishop of South Africa, said Sunday after his first formal talks with the African National Congress that he asked the guerrilla group to consider a cease-fire but that it was rejected by Oliver Tambo, the group's leader.

Archbishop Tutu spent the weekend in Zambia for talks with Mr. Tambo and other leaders of the outlawed African National Congress.

After returning to South Africa, Archbishop Tutu said he had asked the guerrilla movement to consider renouncing violence. Such a declaration would "throw the ball back into the court of the South African government," he said.

The archbishop said Mr. Tambo responded that armed struggle was forced on his organization by the policies of the South African government.

Pretoria has refused to consider discussions with the African National Congress, the largest guerrilla group fighting white domination in South Africa, until it renounces violence.

Earlier, in Lusaka, Zambia, Archbishop Tutu said of his meetings with ANC political and military leaders: "We had very long discussions, for about five hours. I would say the meeting was full, frank and friendly. We agreed on some things and we disagreed on others."

Sources said the issues discussed included the group's links with the South African Communist Party, the increasing violence in South Africa, and ways of achieving a nonracial, democratic society.

"Tutu and the ANC agree on the strategy of replacing apartheid with a nonracial republic," a source said, "but disagree on the tactics to be adopted."

Archbishop Tutu's meeting with Mr. Tambo is likely to anger South African leaders and could alienate some of the white members of the 500,000-member Anglican Church, observers said.

However, the archbishop said it was the church's objective to maintain contacts with all "significant movements" in the dispute. *(UPI, NYT, Reuters)*

■ New Envoy to France

Foreign Minister R.F. Botha of South Africa on Saturday announced the appointment of a new ambassador to France, a day after the South African Embassy in Paris was vandalized by protesters, The Associated Press reported from Pretoria.

Mr. Botha made no mention of tensions between the two nations in announcing that Hendrik Geldenhuys would be the new ambassador. He said the current ambassador, Robert Du Plooy, would return to South Africa.

The foreign minister earlier denounced the embassy attack. He said the main embassy offices on an upper floor were untouched but that "physical damage was done to office equipment and installations on the ground floor."

The French Foreign Ministry on Saturday condemned the attack and said it would pay for repairs.

The demonstration was prompted by a four-year jail term imposed on a French university lecturer, Pierre-André Albertini, for refusing to testify in the trial of five black activists in South Africa.

MAGAZINE: *Ogonyok Is Moscow's New Best-Seller*

(Continued from Page 1)

stories on everything from prostitutes to hoboes.

The result, since he took over last summer, has been a succession of articles that Soviet readers are not used to seeing. Now Ogonyok, with a circulation of 1.5 million, has become hard to find on newsstands. It goes on sale Saturday morning at 9 and a casual survey last weekend indicated that by 10 — or by lunchtime at the latest — almost all the copies were gone.

The weekly newspaper Literaturnaya Gazeta used to be the publication that raised controversial public issues. Now it seems to be Ogonyok.

Other newspapers have become increasingly provocative. But of them all, Ogonyok lives closest to the limits of the permissible.

With the "lyubers" article, which police attacked as a fabrication, the magazine may have crossed the newly elastic boundaries. Mr. Korotich said that he had meetings with staff members of the Central Committee — his superiors — who were concerned about youth gangs looking for street fights.

And at a journalists' convention last week, the keynote speaker, Viktor G. Afanasyev, who is the Pravda editor, urged self-restraint in remarks interpreted as a hint directed at the more pugnacious elements of the press.

There are other limits, too, as Mr. Korotich indicated when he was asked: "If one of your reporters found out about corruption on an army post, would you write about it?"

"Publication about army cases is the only place we have censorship," he replied.

He would not want to publish the works of Alexander Solzhenitsyn, whom Mr. Korotich called "a fool — he is not a writer, but a political opponent."

Any article about Trotsky or Nikolai Bukharin, two of the early Bolsheviks who perished at Stalin's hands, "is a question for the political press, not for the general press," he said.

Even with the changes, Ogonyok — once a czarist publication, shut down in 1918 and reborn as a Communist journal in 1923 — still resembles to the old Saturday Evening Post. It carries regular features on artists and their work, travel pieces, serialized potboilers and articles featuring photos of cute children and serious workers.

But the ratio of cute children to stimulating prose has changed.

DOONESBURY

هكذا من الاصل

One of a series of messages from leading companies of the world appearing during the IHT's anniversary year.

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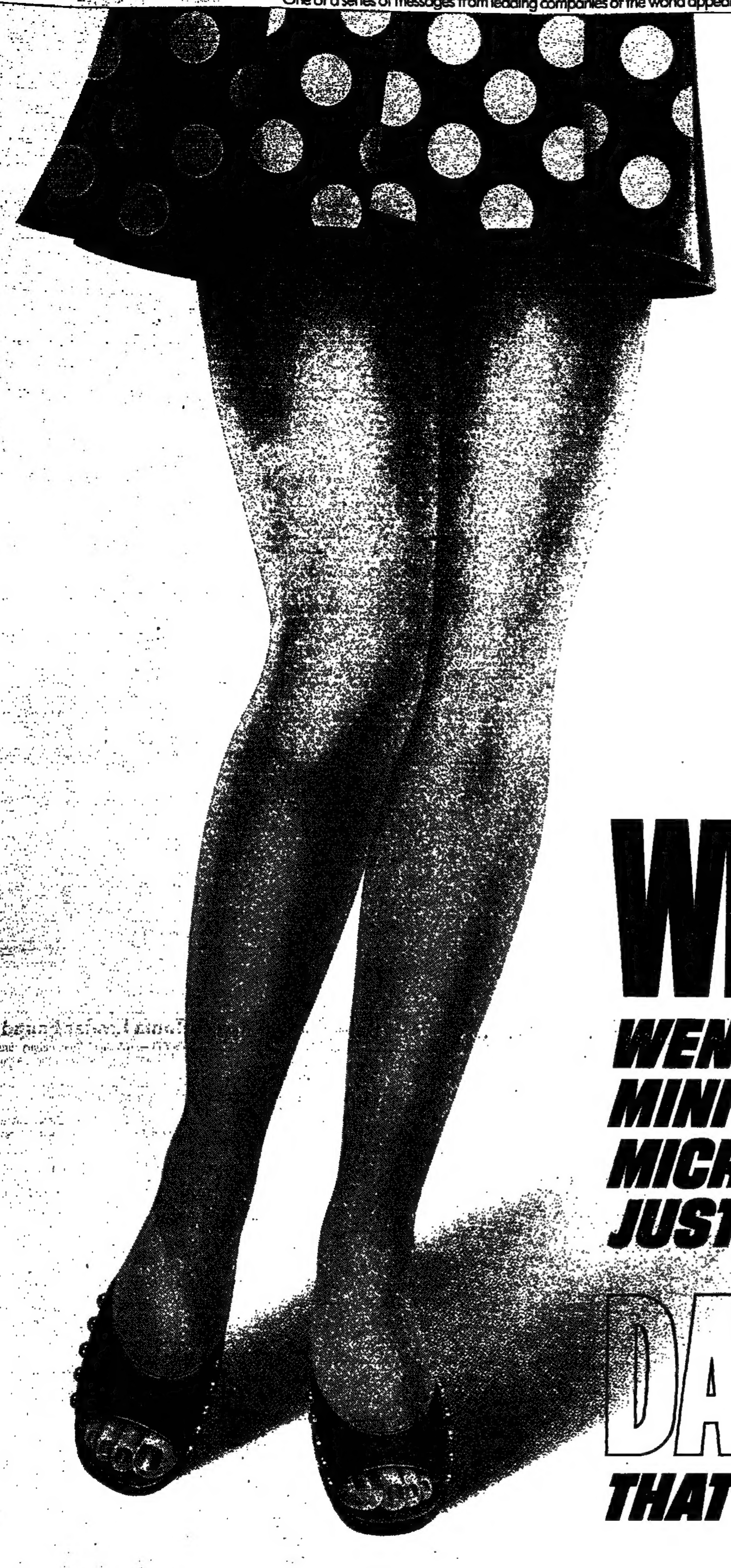

WHO

WENT FROM MINI TECHNOLOGY TO MICRO TECHNOLOGY IN JUST 20 YEARS?

DAEWOO

THAT'S WHO!

In 1967 when the mini was big, Daewoo humbly began its operations with a small investment in the garment business.
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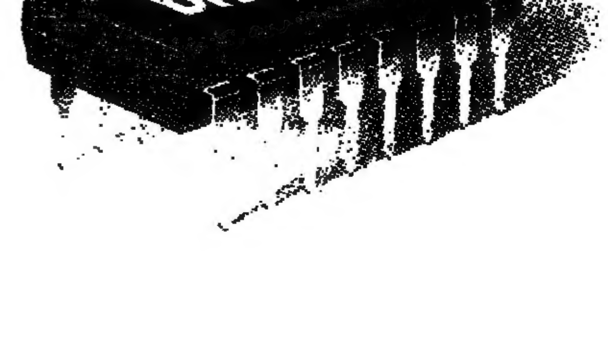

AMERICAN TOPICS

Confederate Banners Are Red Flags to Blacks

Symbols of the Confederacy abound in the South, and blacks do not like it. The Los Angeles Times notes that the Stars and Bars battle flag flies over public buildings and private residences. "Dixie" is a perennial song at college football games. Hundreds of Confederate monuments stand in Southern town squares. The inscription on the memorial in Augusta, Georgia, is typical: "No nation rose so white and fair, none fell so pure of crime."

Now the National Association for the Advancement of Colored People has called for the removal of Confederate flags flying above state capitols in South Carolina and Alabama, and from the state flags of Georgia and Mississippi. Blacks have long said the only place for the Confederate flag is in a display case in a museum.

Referring to recent racial demonstrations in Georgia, a black state legislator, Frank Redding, said, "The Stars and Bars does have special meaning for the descendants of Confederate veterans, and I respect that. At the same time, I don't think Jeff Davis or Robert E. Lee would be proud seing white racists like those in Forsyth County with their bellies hanging over their belts, waving Confederate flags and Nazi swastikas."

Caroline Perkey, head of the United Daughters of the Confederacy, agreed: "It's very disturbing to us to see the Ku Klux Klan and the White Patriot Party use the Confederate flags the way they do. We wish we had some law to protect how the flag is displayed."

Short Takes

All 50 states have been bending the 55 mph (88 kph) speed limit, with the blessing of the federal government, The Washington Post reports. Federal guidelines allowing placement of roadside speed monitoring machines on hills, curves and in congested areas, rather than in "free-flow" zones of maximum speed, have in fact been legal since 1981. That year Congress, acknowledging the difficulty of compliance, voted to allow greater flexibility in placing the monitors.

Television networks are cutting their news budgets because competition from local stations and cable television, in programming and in coverage by camera crews, is increasing, and the network news audience is shrinking. From the 1979-80 TV season to the current one, network newscasts' share of the national audience dropped to 63 percent from 76 percent, and advertising revenues shrank accordingly. CBS already has announced that it is reducing its $300 million news budget by more than $30 million, and similar cuts at ABC and NBC are expected.

The town doctor drives a horse and buggy in Jenks, Oklahoma. Dr. David Duncan, 40, said he wanted to get away from the impersonal "doctor in a box" image of walk-in clinics, so when he moved to Jenks, a town of 7,800, seven years ago, he bought a horse and buggy. "It was really more of a symbolic gesture than anything else," he said. Weather and patient load permitting, Dr. Duncan hitches his horse, Tammy, to a surrey he acquired from a bankrupt circus and goes on his rounds. "He's in all the parades," too, noted the vice mayor, Dewey Anglin.

Notes About People

Ronald Reagan will continue to communicate via radio, television and possibly a newspaper column after he leaves the White House, according to U.S. News & World Report magazine. It says friends predict that Mr. Reagan will resume his pre-presidential career as a regular radio commentator, and is ready to do a weekly TV commentary. He also may resume a newspaper column he wrote in the late 1970s.

Montana's Crow Indians have dismissed **James G. Watt**, Mr. Reagan's former interior secretary, as the tribe's attorney in a boundary dispute. Mr. Watt has a law practice in Jackson, Wyoming, specializing in cases involving American Indians. The Crow tribal chairman, Richard Real Bird, said Mr. Watt made statements that did not satisfactorily reflect the tribe's boundary claims, made other damaging concessions and neglected to keep the tribe informed of the progress in the case. Mr. Watt's wife said he did not comment on client relations.

WP

James G. Watt

—ARTHUR HIGBEE

TV Preacher Resigns, Says He Paid to Hide Liaison

By Wayne King
New York Times Service

WASHINGTON — The Reverend Jim Bakker, a leading American television evangelist, has resigned his ministry, asserting that he was maneuvered into a sexual encounter in 1980 and subsequently blackmailed.

Mr. Bakker is a protégé of the Reverend Pat Robertson, a prominent television evangelist who has said he is considering a 1988 presidential bid.

Mr. Bakker has become one of the nation's most prominent broadcast evangelists since he assumed the spiritual and financial leadership of the PTL Club of Fort Mill, South Carolina, a decade ago. He has repeatedly drawn the attention of federal investigators because of his fund-raising techniques, which yield more than $100 million annually.

In a statement delivered Thursday to The Charlotte Observer, a North Carolina newspaper, Mr. Bakker said, "I sorrowfully acknowledge that seven years ago, in an isolated incident, I was wickedly manipulated by treacherous former friends and then colleagues who victimized me with the aid of a female confederate.

"They conspired to betray me into a sexual encounter at a time of great stress in my marital life," he said. "Vulnerable as I was at the time, I was set up as part of a scheme to co-opt me and obtain some advantage for themselves over me in connection with their hope for position in the ministry."

Mr. Bakker did not disclose the amount of money involved in the purported blackmail. The Observer reported that a lawyer for the evangelist had paid a woman $115,000, although the source of the money was not clear.

The paper said that the woman was a 21-year-old church secretary from Oklahoma at the time of the incident in December 1980. The Observer said that she acknowledged that an incident had occurred, but that she said there had been "no blackmail, no extortion."

Mr. Bakker's attorney, Norman Roy Grutman, said, "The reason Bakker stepped down was that a rival of his had seized upon that and was hoping to make use of that as an instrument to take over" the PTL ministry. Mr. Grutman would not identify who was attempting a takeover.

Mr. Bakker, who was born in Michigan, and his wife, Tammy Faye, have for a decade been cohosts of a daily religious talk program now called "The Jim and Tammy Show," distributed to several hundred stations around the country through the PTL network.

On March 6, Mrs. Bakker, who was often moved to tears on the program, disclosed on the show in a videotaped appearance from California that she was undergoing treatment at a Palm Springs clinic for drug addiction.

Since Mr. Bakker took over the then-modest PTL ministry in 1974, the success of the fund-raising and the Bakkers' ostentatious way of life drew criticism and scrutiny, although inquiries by the Federal Communications Commission and the Internal Revenue Service found no cause for legal action.

On one occasion, when the Internal Revenue Service questioned bookkeeping practices that left $13 million in PTL revenue incompletely or totally accounted for, Mr. Bakker suggested that "the devil got into the computer" used for record-keeping.

His leadership of the PTL ministry will be assumed by the Reverend Jerry Falwell, founder of the conservative lobbying group Moral Majority.

Reuters

Tammy Faye Bakker and Jim Bakker on their talk show.

AP

Robert Preston

Robert Preston, U.S. Stage, Film Actor, Dies at 68

The Associated Press

SANTA BARBARA, California — Robert Preston, 68, the fast-talking song and dance man who conned small-town River City as "The Music Man," and won renewed acclaim two decades later in the film "Victor/Victoria," died Saturday of lung cancer.

Mr. Preston proved his gift for comedy in Broadway revivals of "Twentieth Century" and "The Male Animal" before his biggest hit as Harold Hill, a band instrument salesman who breezes into River City, Iowa, promising to start a high-school band.

He also starred in the plays "His and Hers" (1953), "The Tender Trap" (1954), "The Magic and The Loss" (1954) and "The Hidden River" (1957).

His leading film roles included "Beau Geste" (1939), "Dark at the Top of the Stairs" (1960), "How the West Was Won" (1963), and "Victor/Victoria" (1982), in which he played the homosexual confidante of Julie Andrews.

■ *Other deaths:*

Arch Oboler, 79, who enthralled listeners with his tales of suspense and horror in the golden age of radio in the 1930s and '40s, Thursday of heart failure in Westlake, California.

Bill Holman, 84, the cartoonist who drew the comic strip "Smokey Stover," Feb. 27 in New York.

هكذا من الأصل

Political Fear May Delay Next Flight Of Shuttle

By William J. Broad
New York Times Service

NEW YORK — Political pressures could delay the next space shuttle flight until after the 1988 presidential election, according to a former astronaut, aerospace experts and some U.S. space agency officials.

They said that the remote risk of technical failure might prompt the White House to postpone the flight, perhaps until 1989.

At the same time, some experts warn that such a delay could be a devastating blow to a program that has been plagued by controversy and criticism since the January 1986 explosion of the shuttle Challenger, which killed a crew of seven.

Harrison H. Schmitt, the former Apollo astronaut and former Republican senator who was a member of President Ronald Reagan's Foreign Intelligence Advisory Board, said that pressure for a delay was unavoidable.

"It's going to be very, very difficult to convince the political animals that they should 'go' in this political season," he said. "There's no question," he added, "that political considerations are a factor" in space launchings.

Other experts said, however, that the allure of a bold success in the midst of a lackluster presidential campaign might create unusual pressure for a launching, even if technical obstacles arose.

"It depends on who's running and how they stand," said Dr. Alex Roland, a former NASA historian who is historian of technology at Duke University.

He said that if Vice President George Bush were trailing in a race for the presidency, "and the whole campaign looked lackluster, tarred by an administration that had lost its vitality, there might be a strong incentive for some dramatic achievement reminiscent of Reagan's early days in office: the can-do, get-America-moving ethos."

Barbara E. Selby, a public affairs official at the National Aeronautics and Space Administration in Washington, dismissed the idea that politics might intrude.

"Obviously, around here, the only reason we would delay or speed up a mission is for technical reasons," she said."

Fueling the debate over politics are new delays in completing the extensive repairs that were undertaken after leaks in the seals on a booster rocket caused the Challenger explosion.

Although the official goal of NASA is to launch the next shuttle Feb. 18, 1988, experts say that hitches in fixing the space vehicles and their booster rockets have caused that target to slip toward July, which is about the time when presidential conventions are held.

Rather than permitting the launch to proceed then, experts say, the White House might postpone the endeavor out of fear of a serious failure in flight. Such a move would touch off another national trauma, with new rounds of charges and countercharges over responsibility, they said.

Political risks are also seen by some NASA officials, according to Aviation Week & Space Technology.

It recently quoted anonymous space agency officials as saying that a target date in late 1988 "would force influential Reagan administration officials to push for a further delay until after the November 1988 presidential election to avoid any chance that shuttle flight problems could affect Republican Party presidential chances."

Mr. Schmitt said that delaying the launching until after the election would not necessarily hurt the space agency, so long as its own technical judgments remained objective.

Some experts said that NASA was already so shaken by its loss of autonomy that new political intrusions could permanently damage agency morale. Oversight groups and Congress are investigating the agency's every move, they said.

Joseph J. Trento, author of "Prescription for Disaster: From the Glory of Apollo to the Betrayal of the Shuttle," said: "NASA is at wits' end. That kind of pressure would be the death blow."

J. Scott Applewhite/The Associated Press

Midori Fujimoto, a Hawaiian relative of the astronaut Ellison S. Onizuka, placing a lei at a memorial honoring the seven killed in the Challenger explosion Jan. 28, 1986. Mr. Onizuka and the shuttle commander, Francis R. Scobee, are buried at the granite marker, which was dedicated Saturday. A plaque bears a likeness of the shuttle and each astronaut.

Collapse of U.S. Flight-Delay Talks Points to Problems of 'Voluntarism'

By Reginald Stuart
New York Times Service

WASHINGTON — Airline industry talks over easing flight delays at major U.S. airports this summer have collapsed, providing an example of how "voluntarism" works in the U.S. government's post-regulation era.

Officials of the Federal Aviation Administration, which has been supervising the discussions that began March 16, recessed the talks Thursday until next month.

The move came after several major airlines refused to volunteer more schedule changes at the Chicago and Atlanta airports, the first and second busiest in the United States, and balked at making changes at the Dallas-Fort Worth airport.

The unexpected end to the talks cast doubt on whether the spreading out of arrivals and departures in airport rush hours would occur in the busy summer travel season.

In the talks last week, the carrot-and-stick approach the government used in 1984 was absent. Then, the government forced airlines to negotiate among themselves over arrival and departure hours during times of heavy congestion or face imposition of a schedule by the Department of Transportation.

This time, the agency simply proposed and then granted antitrust immunity to the industry for the purpose of conducting voluntary discussions.

Also absent was the host of influential U.S. officials who showed up at the start of the 1984 talks to impress upon the carriers that their deliberations were being watched by a traveling public irate over a summer of delays. This time, an assistant secretary of transportation was the highest-ranking official to appear with a lecture on what the public expected.

Against that background, it became apparent within hours after airline and federal aviation officials began their negotiations last week that the odds were against an accord. Instead, the talks produced confusion for the public and political embarrassment for Transportation Secretary Elizabeth H. Dole.

The fact that the number of major airlines has been nearly halved by industry mergers end[illegible]d by the administration in the 30 months since the last talks did not seem to make the government's work any easier. Nor was the government helped by the fact that this time it sought less than half the 1,300 schedule changes it secured at the 1984 talks.

Those companies that came to play hardball played hardball, realizing the government had weakened its own hand before the game had started.

NEWS ANALYSIS

Each day, as federal aviation officials began polling participants, they found that many of the smaller carriers serving the airports of concern did not bother to show up for talks or had left before they had ended.

There was a feeling among some major carriers that air-traffic delays were not a problem and that the discussions had more to do with politics. The absence of key players throughout the exercise caused the talks to unravel.

As talks focused on the scheduling problems of Chicago, Atlanta and Dallas, the U.S. representatives found themselves lacking the clout needed to break stalemates and on the defensive about many of the concessions they were seeking.

While U.S. officials asserted that many of the airlines' proposals for schedules for Atlanta and Dallas were unworkable, representatives of Delta Airlines and American Airlines fired back with challenges to the validity of the U.S. demands.

Huddles, debates, intermissions to regroup — nothing seemed to yield the concessions from American Airlines that would have sealed a plan for Chicago's O'Hare International. The same was true for Delta which, after a few concessions, refused to budge on Atlanta's Hartsfield International. When it came to Dallas-Forth Worth, neither American nor Delta would offer any changes.

By midday Thursday, with Eastern Airlines the only major carrier to have volunteered substantial concessions aimed at breaking the Atlanta stalemate, frustration set in among the U.S. officials.

Sensing that the carriers knew they had beaten back a plan they felt was ill-conceived, the U.S. team accepted the concessions that had been offered, folded its tent and retreated until April 10, when discussions are to resume.

A U.S. Show of Force in Central America

By Richard Halloran
New York Times Service

WASHINGTON — The United States will conduct its largest Central American show of force and training exercise in May, when 50,000 servicemen and women will be deployed, military officers said.

The show of force will coincide with the "spring offensive" that U.S. officials have said the Nicaraguan rebels plan. The rebels, known as contras, have sanctuaries in Honduras but have begun operating inside Nicaragua, the officials said Saturday.

The exercise, code-named Solid Shield, is intended to simulate a U.S. response to a request from Honduras to help fight Nicaraguan forces, the officers said. The Reagan administration has already drawn up contingency plans for such an operation, officials here said.

Included in the U.S. maneuvers, the military officers said, will be a simulated evacuation of the U.S. naval base at Guantanamo in Cuba. That aspect of the exercise assumes that Cuba would retaliate against the United States for an attack on its allies in Nicaragua.

Most military drills in recent years have featured reinforcement of the Guantanamo garrison.

As with other shows of force in the last four years, the maneuver in May is intended to deter the Sandinist government in Managua from exporting its leftist ideology by maintaining what American officers have called a "continuing presence" in Honduras and the Caribbean.

Politically, the maneuver may influence the attitude of Congress on the issue of continued military aid to the contras. Senior administration officials have repeatedly contended that U.S. forces might be called on to fight in Central America if the contras fail to defeat the Sandinists.

The administration won a narrow victory in Congress last week when a move to delay $40 million of this year's $100 million in aid to the contras was defeated in a close vote. The administration's prospects for its request for another $105 million in aid next year remain in doubt.

The president of Nicaragua, Daniel Ortega Saavedra, citing the extensive U.S. maneuvers, has accused the United States of threatening to invade his country. The Reagan administration has denied that. The Reagan administration has long accused the Sandinists of aiding the leftist insurgency in El Salvador.

The exercise will also test the ability of the U.S. Army, Navy, Marine Corps, Air Force and Coast Guard to mobilize and operate together in a large maneuver, the officers said. In earlier drills, the main training objective has been to familiarize U.S. troops with the terrain and climate where they might have to fight in Central America.

Operation Solid Shield will be conducted in Honduras, the Caribbean, the island of Vieques off the eastern point of Puerto Rico, and the Marine base at Camp Lejeune, North Carolina, the military officers said. Drills at Vieques and Camp Lejeune will simulate actions in Honduras without burdening that nation's limited airfields, ports and roads, they said.

A brigade of 3,000 helicopter assault troops from the 101st Airborne Division at Fort Campbell, Kentucky, and an amphibious unit of 1,800 marines from Camp Lejeune will make a combined air and sea landing in Honduras, the officers said.

The officers said the ground forces, totaling about 5,000 soldiers and marines, will be the largest ground combat force to have been deployed into Honduras since training exercises for U.S. troops began there in 1983.

But they said the soldiers and marines would remain in Honduras for only a few days because the main point of the exercise was to mobilize and move them rather than to have them operate there.

At Camp Lejeune, two battalions of 1,500 paratroopers from the 82d Airborne Division at Fort Bragg, North Carolina, will join an amphibious brigade of 5,000 marines for a combined mock assault there. A similar exercise will be mounted at Vieques, they said.

At sea, navy warships centered on an aircraft carrier will be joined by cutters from the Coast Guard that are normally on station searching for drug smugglers in the Caribbean.

Canadian Reporter With Contras Dies

New York Times Service

TORONTO — A Canadian freelance reporter, Peter Bertie, has reportedly been killed while accompanying Nicaraguan rebels in northwestern Nicaragua.

The Department of External Affairs in Ottawa said Saturday that a Canadian newsman had been killed in the Nicaraguan conflict but it did not identify the victim. In Miami, a spokesman for the United Nicaraguan Opposition, a rebel group, identified him as Mr. Bertie.

The Sun, a Toronto newspaper that had published reports by the British-born reporter, cited rebel sources as saying that a West German filmmaker traveling with Mr. Bertie, Dittmar Hack, "was another victim of the attack." The newspaper did not say whether Mr. Hack was killed or wounded.

Ex-CIA Chief Hospitalized

Agence France-Presse

WASHINGTON — The former CIA director, William J. Casey, who recently underwent surgery for a brain tumor, was readmitted to Georgetown University Hospital for "reevaluation," a hospital spokeswoman said Friday. Mr. Casey, 73, was admitted to the hospital in December just as he was to be interrogated by a congressional committee investigating arm sales to Iran. He resigned Feb. 2.

INTERNATIONAL Herald Tribune
Published With The New York Times and The Washington Post

OPINION

Questions Won't Help

Anyone wondering whether Ronald Reagan is physically fit, reasonably alert and well attended by his new White House team can take some reassurance from his news conference Thursday night. Anyone hoping for enlightenment on the Iran-contra scandal has to be disappointed. His stance remains one of self-mystification. No amount of questions from an eager press corps could change that — or will.

President Reagan has passed the test of an Oval Office speech and he has withstood half an hour of reportorial queries. Even so, there were jarring shortcomings. Three lessons have apparently not been learned from his and the nation's ordeal.

• He has not learned that good management does not mean no management. He clings to the clichés: "You get the best people you can to do a job. Then you don't hang over their shoulder ... You set the policy ... and the only time you move is if the evidence is incontrovertible that they are not following policy or they have gone down a road in which they're not achieving what we want." Breaking his own first rule, he did not get the best people. Then he delegated authority to them so fully that he did not even know which agency, the CIA or his security council staff, was running the Iran deals. And what management expert prescribes waiting for "incontrovertible evidence" of failure before changing subordinates? Only nominally did the president display understanding of the Tower commission's judgment that Iran-contra was a case study in bad management.

• Unbelievably, he has not fully learned that he was in fact trading arms for hostages. Explanation? He sold arms to Iranian middlemen and did not deal directly with the kidnappers in Beirut. Even this curious response does no justice to emerging evidence that profits from the arms sales were deposited in the kidnappers' Swiss bank account in payment of room and board for the hostages.

• He has forgotten his own hard-learned policy on dealing with terrorists over hostages. Although he says he would not travel the same road again, he adds: "I happen to believe that when an American citizen, any place in the world, is unjustly denied their constitutional rights to life, liberty and the pursuit of happiness, it is the responsibility of this government to restore those rights." Is this not an invitation to bargain with the terrorists? Does it not fly in the face of warnings to American citizens not to expect help from Washington if they journey into the world's danger spots?

On, then, to other news conferences, and more of them. Awkward as they are, they are better than those shouted questions on helicopter runways. On to other issues as well, while not ignoring Iran-contra. The congressional committees and the independent counsel move ahead smartly with their investigations. Answers will have to be sought from those quarters, since Mr. Reagan cannot or will not shed light on the matter himself. But he can bring some better light to bear on his policies toward management and terrorists.

— *THE NEW YORK TIMES.*

Pay Attention to Europe

The Soviet Union is churning with change, the United States is hobbled by scandal and Europe's leaders are itching. They see important possibilities in Mikhail Gorbachev's reforms. They worry over losing opportunities and over American unresponsiveness, as well as over some U.S. policies they dislike. Too often the Reagan administration has dismissed them as over-eager to court Russian favor. But Europeans have some thoughtful things to say.

Europe has simmered for years over American gyrations and flip-flops in East-West relations. Early Reagan "evil empire" talk exacerbated divisions between Washington and European leaders. They, unlike Americans, have no trouble with combining cooperative and adversarial relations. Lack of progress on arms control when Moscow seemed forthcoming confounded them. So, more recently, did U.S. abandonment of the second strategic arms treaty. The Strategic Defense Initiative, viewed in Europe as unpromising, increased alliance friction, as did administration threats to reinterpret the Anti-Ballistic Missile Treaty.

Then came the jolt of Reykjavik. Mr. Reagan's proposal to eliminate ballistic missiles undercut 40 years of alliance strategy with nary a breath of consultation. By the time the Pentagon began to talk of early SDI deployment, European leaders were already sounding uncommonly unanimous in their displeasure. No wonder some balk, for the moment, at the potential U.S.-Soviet deal to eliminate medium-range missiles in Europe.

America needs to show Europe that it is listening. European leaders do not want to be taken for granted on security issues. In such key countries as West Germany and Italy, pro-Atlantic governmental coalitions are in power by not much more than 50 percent majorities. Leftist parties in those countries and Britain are moving ever further from traditional NATO principles. And polls show a majority of Europeans believing that Mr. Gorbachev has done more for arms control than Mr. Reagan.

Western Europe is not about to cut its security ties to the United States. But the ferment within the alliance is real, and ranges from economic issues and strategies on terrorism to interventions in Third World conflicts, as well as security issues. The differences cannot be readily papered over, but they can be managed with far greater skill. The alliance is changing, whether all its members approve or not. Washington's failure to listen and to play a leadership role will not send Europe into Moscow's arms, but it will drive the allies further apart.

— *THE NEW YORK TIMES.*

Chips Are Real Trouble

The semiconductor case is trade policy at its most difficult. Unlike steel and autos, it does not involve an industry that has made large and clear mistakes. Unlike machine tools, the complainants are not obsolescent producers. Unlike dried mushrooms, the product has profound importance to the American economy. The Japanese semiconductor manufacturers are big companies with vast financial resources. They put out good products and are apparently selling them below cost, in the United States and throughout the world, to expand their shares of these markets. What should the United States do about it?

The steel and auto cases were much simpler. The United States simply put quotas on imports from Japan. That will not work in semiconductors for two reasons. First, semiconductors are components of a great variety of products, and barring them would hurt American companies that build these chips into their own products. Second, the fight is not just for the American market but for markets worldwide.

Last summer, after a long quarrel, Washington and Tokyo came to an agreement in which the Japanese said they would no longer sell their chips, in the United States or in third countries, below fair value. "Fair value" is a rubbery and unsatisfactory concept, but by any definition the American producers say that the Japanese have continued to sell below it. The U.S. Commerce Department has been sifting through the evidence, which apparently tends to support the American protests. The issue goes to the White House this week. The administration has set a deadline of April 1 for a decision and, if warranted, retaliation.

The relative strengths of the two countries' microchip industries are characteristic of much else about them. As a rough generalization, you can say that the Americans are better at advanced design and the Japanese excel, as usual, at production technology and quality control. The Americans are ahead at the top of the market but the Japanese have the advantage in the middle of the market — and that is where most of the sales are. The Americans cannot afford to concede the broad middle to their competitors, because it is those sales of the mass products that pay for the development of the next generation of products at the top.

Last summer's agreement looked fragile at the time — hard to monitor, harder still to enforce. Now it seems to be collapsing. No solution here is going to be very satisfactory. But this trade dispute differs from most of the others. There is more involved in the Japanese success than efficiency alone. The Reagan administration is right to think that it cannot allow a crucial American industry to be undercut without limit.

— *THE WASHINGTON POST.*

Other Comment

Reagan's Crisis Isn't Over

President Reagan's press conference last week was the usual shambles.

To hear some politicians talk, you might think the crisis was over. It isn't.

The fact is that all Reagan press conferences are awful. The tolerable ones come when the press is nice to him, and the ghastly ones are when the press is being rude. Last Thursday the press was fairly polite and so he seemed to do fairly well.

There is a sense in Washington, though, that there are too many unexploded mines lying around for anyone to relax.

It is becoming more and more clear that Vice Admiral John Poindexter could destroy the Reagan presidency. Mr. Reagan's case, as far as it is possible to discern it from his words, is this: He heard about the arms shipments some time before or after they happened — he can't remember when — and approved them purely as a means of improving American influence in Iran; later they "deteriorated" into an arms-for-hostages swap, which he mistakenly allowed to happen because of his heart-warming concern for the hostages. Admiral Poindexter could blow that apart. If he does — and there are signs that he might — the president would be in appalling trouble.

— *Simon Hoggart in The Observer (London).*

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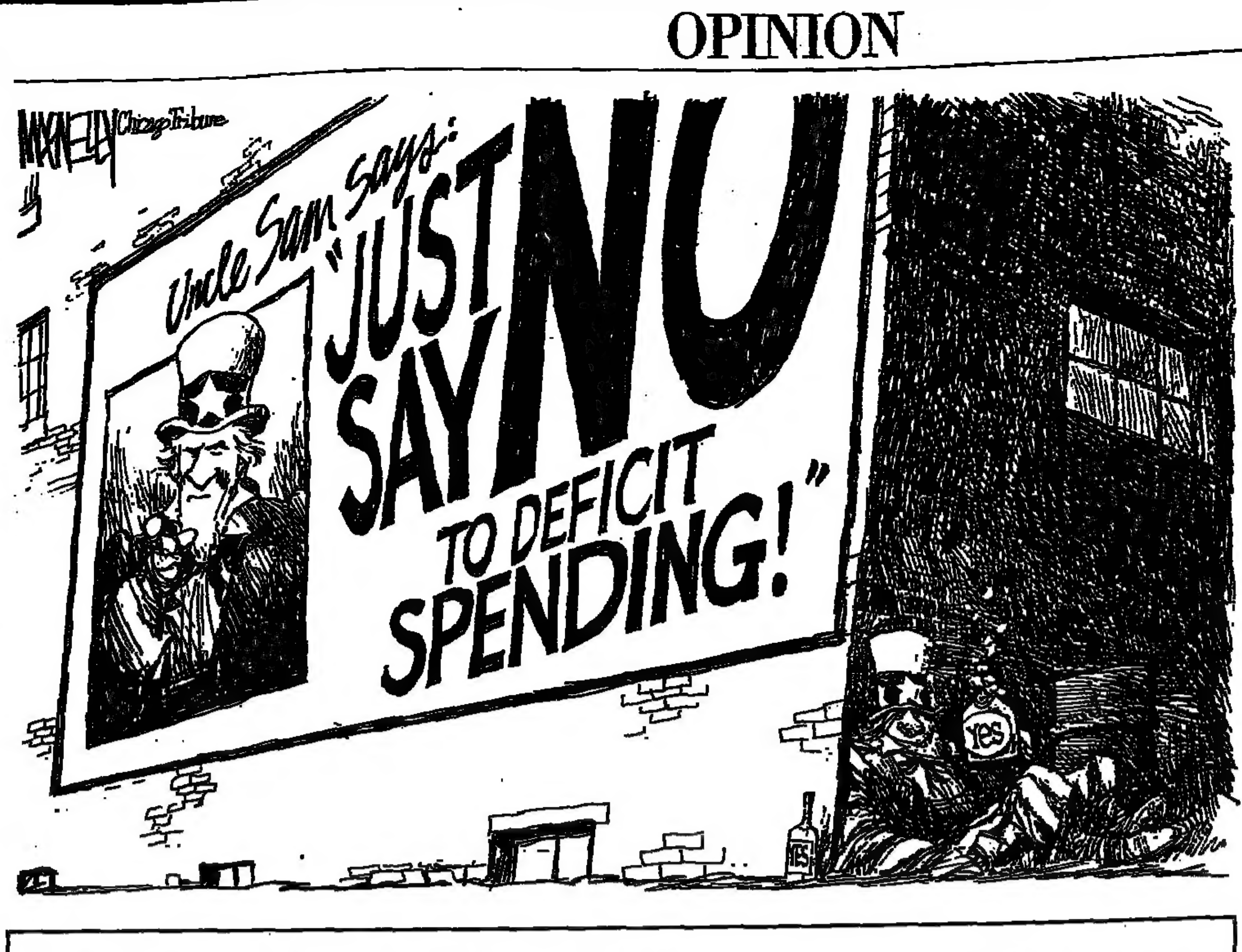


The Presidential Shop Is Reopening for Business

By David S. Broder

WASHINGTON — The White House has repaired the damage from the Iran affair explosion and reopened for business. President Reagan's news conference Thursday night provided the strongest evidence yet that the proprietor of the shop has regained a good measure of his emotional balance and is ready to reclaim his role at the center of government.

He did not change his story — or add much to it. But he showed steadiness and confidence which had been conspicuously missing in the final months of 1986, when his staff and administration were staggered by the disclosures of secret arms sales and financial high jinks.

Many here are attributing the recovery to the work of newly installed presidential aides Howard Baker, Ken Duberstein and Frank Carlucci. But what they have done to improve the staffing and operations may have less to do with the recovery than who they are.

They are not daily reminders — as the departed chief of staff, Donald Regan, and his deputies were — of the colossal blunder which shook the White House. They are competent, low-keyed men, familiar to the president from first-term roles in Congress and the administration, yet bringing fresh energies and outlooks. And their personalities are upbeat enough to encourage Mr. Reagan's native optimism.

The modest successes Mr. Reagan scored with his speech on the Iran affair earlier this month and the Thursday news conference have opened the way for a breakthrough. Now he can begin refocusing the country's attention on his policy agenda without being accused of trying to avoid The Painful Subject.

With the congressional investigating committees planning to delay until mid-June or later taking public testimony from ousted National Security Council officials John Poindexter and Oliver North, the president may have a three-month opportunity to put his plans and programs center-stage.

The public will soon discover that a "Welcome Back, Mr. President" sign has been hung on some of the most important Democratic doorways on Capitol Hill. Officials of the other party are eager to take up some of the initiatives that the administration has offered.

There is a genuine chance that the improbable alliance of Ronald Reagan and Dan Rostenkowski, which produced the tax reform measure of 1985-86, can be revived with notable results in such vital areas as trade legislation, welfare reform and catastrophic health insurance.

All of those issues are before the House Ways and Means Committee which Congressman Rostenkowski heads. On all of them, the Illinois Democrat sees his agreements with the president's proposals as more significant than his disagreements.

In a recent interview, Mr. Rostenkowski made the striking comment that "the only time you really move the Ways and Means Committee is when there's a Republican president. I don't want to waste this opportunity Reagan has given us."

That is the best argument I have ever heard for divided government. When a liberal Democrat is president, Republicans and conservative Democrats on Ways and Means unite to block him. But when a Republican says, as Mr. Reagan does this year, that the government must take an activist role in meeting unfair trade practices, training displaced workers, helping welfare recipients into their first jobs and cushioning the costs of long-term illnesses, Republicans and conservative Democrats cannot be pure obstructionists.

In all three areas, Mr. Rostenkowski faces Democrats who, encouraged by Speaker Jim Wright, want to go much further than the limits Mr. Reagan has set. Mr. Wright's implicit message is that a Democratic House ought to pass Democratic programs, at the risk of provoking vetoes; and then, if need be, take the issues to voters in the 1988 campaign.

Mr. Rostenkowski, the ultimate pragmatist, is skeptical of his party's ability to survive its primary and convention battles with high hopes of winning the presidency. He would far rather meet Mr. Reagan halfway and enact legislation in those three areas this year. This tussle gives the revived White House far greater leverage than seemed possible just a few weeks ago.

The Washington Post.

Unnecessary Bravery, With Baloney

By James Reston

WASHINGTON — You have to admire President Reagan's bravery at his news conference last week, but you do not have to swallow his baloney. Facing the lions for the first time in four months, he charmed most of them into pussycats — and treated them to everything but the truth.

The only new thing he said during half an hour of dreary repetition was that Vice President George Bush had not objected to his decision to sell arms to Iran — and that account was wrong. Later the White House issued a statement saying that Mr. Bush had "expressed reservations throughout the process."

Even so, it was a brave performance. As John Sears, his former political adviser, said, Mr. Reagan could not afford to stumble this time. He answered the questions patiently in difficult circumstances.

But what answers! They were a catalogue of what he did not know or could not remember, with vague intimations that the scandals, which he calls "mistakes," and the policy blunders, which he calls "flaws," were usually caused by somebody else.

He was asked why he had said in his previous news conference that the United States had nothing to do with Israeli arms shipments to Iran, when he knew it was not true. "It was evidently just a misstatement on my part," he replied. At no time did he explain the main charge: why he had repeatedly implored other governments not to sell military weapons to Iran and other terrorists, and then had insisted on doing so himself against the advice and protests of his secretaries of state and defense.

Did he think Oliver North and John Poindexter had deceived him? "They just didn't tell me what was going on," he said. Can you imagine Dwight Eisenhower not asking them what the hell they were doing? Or Harry Truman or Lyndon Johnson?

And this: "I've been reading a great deal about my management style. I think that most people in business will agree that it's a good management style. You get the best people you can to do the job. Then you don't hang over their shoulder criticizing everything they do ..."

The reporters refrained from laughing. The best people available? Five heads of the National Security Council in six years? Donald Regan as chief of staff? Dave Stockman? Pat Buchanan? Ed Meese as attorney general? His appointment record is generally regarded in Washington as the worst in memory.

No wonder there is tension between the president and the press. For six years the reporters have been listening to an incredible catalogue of presidential misstatements, evasions and downright distortions with few chances to get the president to keep the record straight.

Now comes Senator Alan Simpson of Wyoming to charge that the reporters are trying to confuse the president, and Pat Buchanan roaring that the press is trying to bring the president down.

This is not true either. The reporters actually like this president, and marvel that he has gone so far on so little, with so much support from the people, who prefer his illusions to the facts. The press is not out to get him, but feels sorry for his plight.

The main point about this news conference is that Mr. Reagan looked so good that he seems determined to prove that he is back in charge. It is an alarming thought.

News conferences prove nothing about ability to govern. As now arranged, with their red carpets and jumping-jack reporters and instant analysis on television of mysterious presidential "explanations," they are a poor way to gather news, and a hopeless way to get at the truth. Mr. Reagan hates them, with good reason. If reporters had five minutes every day or so with Howard Baker to ask their questions on a background basis, the guess here is that they would gladly relieve the president of this unnecessary burden.

The New York Times.

A Legacy Of Generals By the Sea

By Jim Hoagland

ATHENS — It is surprising to come back and discover how unpopular the United States is in Greece, a nation that has shared in and shaped the American experience more than most. How can America have mediocre relations with the country that honors itself as the birthplace of democracy and the Olympics, that has provided such a steady flow of successful emigrants to the United States and that was the center of the Truman doctrine's commitment to defend freedom abroad?

Greeks will fall over themselves to answer that one. America is still paying the bill for Washington's eager support for the junta that seized power in 1967, and the Reagan administration's current tilt toward Turkey keeps the meter ticking.

Andreas Papandreou has adroitly tapped this anti-Americanism in two successful election campaigns by pledging to get U.S. bases out of Greece after 1988. Not really wanting to lose the revenue they bring, nor the implicit protection against Turkey they provide, he is now maneuvering to get rid of the pledges and to keep the bases. But he continues to find it useful to bark out denunciations of Washington whenever strikes, the failing economy or other domestic upset crowd in on him.

American policy makers in turn reduce U.S. problems in Greece to Mr. Papandreou's unabashed slipperiness and ambition. They disregard or deny the historical roots and regional pressures that underlie his stances. The fact that similar problems are now surfacing in Spain for the United States should make them realize that forces broader than one man's character flaws are involved.

The Mediterranean needs to be seen by Washington in an integrated political context, if U.S. influence is not to decline along this littoral.

The threat that Moslem fundamentalism poses to North Africa, the disintegration of Lebanon, the shock waves coming out of the Iran-Iraq war, the prolongation of the Arab-Israeli conflict and other disasters reverberate across the Mediterranean. They combine to eclipse concern in many quarters about the Soviet threat to NATO that has provided the military basis for turning the Romans' Sea at the Middle of the Earth into an "American lake" since World War II.

Living on the edge of these crises, Spain and Greece feel exposed. They are designing policies to limit their vulnerability to these immediate threats. Increasingly they ask if the presence of U.S. military units helps or in fact handicaps them in doing so.

It is hard to imagine a leader who contrasts more sharply with Mr. Papandreou than does the measured, forthright Felipe González. But, facing similar problems, the youthful Spanish prime minister is also challenging some of the key assumptions of the American military presence in Spain, and finding it politically profitable at a time of domestic strife.

The historical parallel with Greece is evident. The establishing of four U.S. bases in 1953 provided Franco with international recognition and material support that helped keep him in power. In Spain, the United States does not enjoy the advantage it has elsewhere in Western Europe of being identified with the liberation of the continent from fascism.

But Mr. González has pushed his growing argument with Washington onto another level by specifying that Spain wants 72 F-16 combat aircraft withdrawn from Torrejón outside Madrid as a condition for permitting the other bases to stay.

These tactical combat aircraft are not stationed in Spain to ward off a Soviet threat against Europe, Spanish officials argue, but are much more likely to be used in conflicts that could erupt in North Africa or the Middle East. The demand for removal of the F-16s has become a potent symbol of Spain's unwillingness to be pulled into these conflicts.

A belated American offer to move the F-16s to another base in Spain, which might have been acceptable to the government last fall, has now been rejected by Madrid, and the negotiations are deadlocked.

Mr. González is confronted at home with a wave of strikes that challenges his authority, and he has much less room to maneuver than Washington appears to believe. He gives no sign of bluffing or of trying to squeeze out minor concessions from the American negotiators. They should not underestimate his resolve.

A confrontation with Spain would skip right across the Mediterranean into Andreas Papandreou's waiting hands, as Greece starts its negotiations on the future of U.S. bases.

The Washington Post.

Swords Into Plowshares: Toward U.S.-Soviet Talks

By Seymour Melman

NEW YORK — Directors of institutes of the Soviet Academy of Science, officials of the State Planning Commission and a deputy foreign minister have assured me that it is now the policy of the government and of Mikhail Gorbachev to support planning for conversion from military to civilian economy.

At a series of meetings in Moscow, while I attended the recent international forum on disarmament, Soviet officials pledged cooperation for planning and conducting an American-Soviet symposium on conversion from military to civilian economy.

The Soviet side is to be coordinated by the Institute on the U.S.A. and Canada, headed by Georgi Arbatov. The sponsor in the United States is the American Council of Learned Societies. At the symposium, which probably will convene in America before the year ends, both sides are to present papers on problems of converting military-oriented factories, laboratories and bases to civilian work.

To be sure, the pre-symposium research by engineers, economists, management specialists and planners does not automatically assure implementation by both governments. But the process of developing knowledge on conversion for both countries defines new policy options.

There are two main links between conversion planning and disarmament. First, with workable economic conversion plans in place, a mutually agreed reversal of the arms race can be made into an economic opportunity and not a penalty for the people involved. Second, growing confidence in the practicability of conversion will, I think, encourage disarmament negotiations. And conversion could open major opportunities for economic development in both countries, as millions of skilled minds and hands, and large capital resources, were applied to civilian tasks.

A conversion symposium held in Moscow in 1984 was of limited value because the American specialists were not well matched on the Soviet side. This is to be changed, apparently because Soviet officials now attach importance to economic conversion planning as one way of strengthening economic reconstruction.

This may help explain why the State Planning Commission, which had long taken the position that conversion planning would be carried on only after political détente with the United States, has changed its view.

In both countries, conversion requires that civilian products and production methods must be defined for facilities that have primarily served the military since the end of World War II. In both, conversion requires planning for retraining managers, engineers and workers who have long been accustomed to ways of working that suit military needs but that are not serviceable for civilian work.

U.S. policy still seems to rest on the dogma that "the market" will cope with any adjustment to civilian work and that advance conversion planning is thus unnecessary. The government does not yet appreciate the indispensable link to national economic development. Not surprisingly, the Pentagon opposes legislation for conversion planning. One such bill has been proposed in the House by Representative Ted Weiss, a New York Democrat, and more than 40 co-sponsoring colleagues.

My sixth visit to Moscow was characterized by a degree of straight talk and cooperation from my hosts that was unprecedented in my experience. With little advance notice, visits were arranged to principal machine tool plants; and I was quickly able to meet senior officials in government and in the Academy of Science.

This much is clear: Moscow's new initiatives toward economic conversion planning open up fresh opportunities for both Soviet and American policy, domestic and foreign.

The writer is professor of industrial engineering at Columbia University and American coordinator of a projected American-Soviet symposium on conversion from military to civilian economy. He contributed this comment to The New York Times.

LETTER TO THE EDITOR

The Press in Sweden

I agree with some points made by Richard Reeves in "Sweden's Press: So Free but So Docile" *(March 11)*. However, in his eagerness to portray Sweden as a well meaning welfare state soft on terrorism and with a self-disciplined press, Mr. Reeves either tries to make a good story look better or has bad sources. The shortcomings of the Swedish news media have been better described by Swedish investigative reporters.

Mr. Reeves claims that Kurdish Communists fleeing from Turkey were "invited" as symbols of national liberation movements. The truth is that they came as refugees seeking asylum. Sweden refused to let one of their leaders into the country.

He says that a convicted killer in "a typical case would have served an eight-year prison term, with weekends spent at home." A long-term inmate may, in some cases, go home during weekends when three months of his sentence remain.

He says that the Swedish press "does not publish the names of criminals, even after they have been convicted and sentenced." Some papers print the names of criminals linked to serious offenses even before they have been convicted.

He writes that the "private lives of public people are politely ignored." The press is obsessed with intimate details of well known people. In 1985 the press ombudsman received 360 complaints from the public about alleged unethical news reporting.

ROLF SODERLIND.
UPI Bureau Manager,
Nordic Region.
Stockholm.

IN OUR PAGES, 75 AND 50 YEARS AGO

1912: 'O Shakespeare!'

NEW YORK — While the man who signed himself "Father" in a recent letter to the Flushing Journal does not exactly want Shakespeare rewritten, he thinks the Board of Education should search the dictionary for synonyms for some words in "The Merchant of Venice." The writer objects to a girl trained at home never to use words any stronger than "Oh, pshaw!" having to stand up in front of a class and exclaim "O hell!" just because Mr. Shakespeare wrote it that way. "It fell to the part of a little girl of a sensitive and refined nature one day lately," he wrote, "to impersonate the Prince of Morocco, when as an ardent wooer of the fair Portia he chooses the golden casket containing the ghostly skull and exclaims: 'O hell! What have we here? / A carrion Death, within whose empty eye / There is a written scroll!'"

1937: Belgian Neutrality

LONDON — King Leopold of the Belgians arrived in London this evening [March 22] on an important three-day "private" visit, in course of which he hopes to win British recognition of his new policy of complete neutrality, designed to keep Belgium out of the next big European war. Belgium, while still anxious to retain the friendship and collaboration of Great Britain and France, is equally anxious to avoid offending Germany, whose powerful armaments and propaganda have made a forceful impression upon Belgium's Flemings and Walloons. To satisfy Germany that Belgium is her friend, and not her enemy, Leopold's kingdom desires to cancel, or at least modify, any treaty, pact or covenant which might imply Belgian territory being used as a jumping off spot for a military alliance directed against Germany.

Montana Scores With Short 'Hip Suits'

Claude Montana's collection: short and hippy.

By Hebe Dorsey
International Herald Tribune

PARIS — After a weekend in which fashion soared in Paris, the silhouette for next fall and winter has become clear: short and hippy. Claude Montana, who had a superb collection, invented a new phrase for it — "hip suit" — which defined his long jackets, gently rounded over hips.

The center of interest has now moved from the shoulders to hips and legs. The short look also

PARIS FASHION

dominated the evening scene and looked young and attractive. Poufs, petticoats and bustles were rampant.

The look often meant flared skirts under a strongly belted waist. Parachute-shaped, important, widespread collars were thrown over shoulders. White shirts and black skirts were everywhere: little-girlish here, sophisticated there. The laced-up booties of the 1950s, complete with rolled-up socks, made a comeback. Cropped boleros emphasized waists and hips.

Fur coats and fur touches were important in these collections, whose designers often have a fur license. In the case of Karl Lagerfeld, it was even more pointed. Lagerfeld is backed by the Cora-Revillon group, which owns Revillon furs. He showed a small collection of fur coats and no end of fur accents.

Montana maintained his leading position in French ready-to-wear. In a well-edited, strongly designed collection, he made it clear that while he may have had some production problems in the past, there is nothing wrong with his talent. His newly forged association with Gruppo Finanziaro Tessile should be a felicitous one. Montana has also cleaned up his act. He has eliminated his former theatrics as well as emphatic hairdos that gave his show a contrived feeling.

Montana was able to handle both long and short. But short, once again, was a winner. Long coats over jumpsuits looked glamorous, and Montana also showed a lot of pants. But this was a consistent collection, built around the same, strong theme: a high waistline, fully rounded hips and soft shoulders framed by huge collars.

After favoring giant, overwhelming Valkyries for many years, Montana has now softened his tune. The result was quite pretty — a new word to apply to Montana — especially all the white shirts tucked into high-waisted pants and skirts.

The hip suits, which opened the show, came in bright colors: red, purple, green, yellow. There was also black leather, leather being a Montana specialty. Then came a series of equally brightly colored short coats over black pantyhose. Big, funnel-shaped collars or huge hoods framed a small head. Later on, the palette focused on black and white. Montana also showed some interesting khaki mink coats.

As usual, Montana did a fantastic job with leather and continued the intricate lattice work he started in his menswear collection two months ago.

One wonders if Jean-Paul Gaultier likes the women he designs for, with his deliberately vulgar Happy Hooker look.

For Karl Lagerfeld, who recently severed ties with Bidermann Industries, it was a new and much-awaited beginning. The results were not as good as expected, but then this is only Lagerfeld's first season with the Revillon group.

The good news is that Lagerfeld's backers are not scrimping, and this collection had a luxurious ring. The clothes were beautifully made and the evening wear was up to Lagerfeld's old standards.

An ebullient designer, Lagerfeld had too many options, which made this collection confusing. The best was all the short clothes, especially the swagger coats, the colorful knits and the pretty bustier dresses over petticoats. Chiffon evening gowns, with skirts dipping at the back, had Lagerfeld's magic hand.

Jean-Paul Gaultier used to be a deliciously funny designer whose spoof shows were frankly refreshing. Unfortunately, it has all gone to his head and his performance last Friday was abusive. After keeping people out in the cold for hours, he showed a collection that could hardly be seen because models walked on huge runways and were followed by only a faint ray of light that disappeared the minute they walked off.

Gaultier's mild jokes have soured. His vision of womanhood has become a mean caricature, a study in the grotesque. One wonders if this designer likes the women he designs for. His deliberately vulgar Happy Hooker look and sex-shop approach was offensive.

Gaultier explained in his press release that his new clothes were futuristic. In fact, a good part of it, especially the thigh-high silver boots and minis were quite retro, reeking of the 60s and Brigitte Bardot. As for his Tartan theme, it was lifted straight from London, a city that the street-smart Gaultier often visits for inspiration.

His most interesting work was his hippy look, which he built with rubberized and stiff fabrics.

DISNEY: *Paris Park Will Be Built*

(Continued from Page 1)

park, reflecting fears that American themes would threaten French culture.

"Mickey Mouse is simply international and cannot be converted or crossed with any French character, like Asterix," said Robert J. Fitzpatrick, president of the company that will manage Eurodisneyland, on Sunday.

"But there will be French and European attractions we are now working on" that "we call the dream phase," he said.

Although English and French will be used at the theme park, French will be predominant, said Jean René Bernard, the French negotiator in the project. He said that France had obtained other concessions from Disney, including the depiction of scenes from French history.

Among the other themes being considered are the discovery tales of Jules Verne and West European immigration to the United States.

Mr. Bernard said that the U.S. company also agreed to turn over to France 100 million francs in the first year as a security, and that it would refrain from building another theme park in Western Europe in the near future.

Opposition from residents in the site area at Marne-la-Vallee also has subsided, French officials said. Farmers, timber workers and local businessmen were angry over the failure of the French national and local authorities to keep them informed about a project that will transform their lives once it gets under way.

"There is a truly national consensus about Eurodisneyland now," said a spokeswoman for the Ile de France regional council, whose president, Michel Giraud, will also sign the agreement.

She cited a survey commissioned by the region and completed last month that showed that 85 percent of those surveyed throughout France, in all major political parties, approved of the project primarily because of the creation jobs.

Mr. Chirac's announcement Saturday said that an estimated 20,000 jobs would be created during the construction phase, rising to 30,000 once the projects are functioning, including the theme park.

The unemployment rate in France is at slightly below 11 percent of the country's work force of 24 million, and rising.

Final agreement on financial issues and a corporate structure was reached only recently, French and U.S. negotiators said. The talks began in August 1985 under France's previous Socialist administration following Disney's rejection of a competing site near Barcelona.

The capital requirements of the theme park and surrounding projects, excluding hotels and transportation facilities, amount to about 10 billion francs. Of that sum, about 2.5 billion francs represents common equity, which will be owned by an international company in which Walt Disney will hold a minimum 16.67 percent share.

The remaining majority interest will be held by investors in France and other European Community countries. "No deals with outside, interested parties have been made," Mr. Shapiro said. "But we have had lots of interest expressed."

Iranian Offensive Is Coming, Analysts Say

By Patrick E. Tyler
Washington Post Service

TEHRAN — After nearly a year's preparation for a long-threatened "final offensive" against Iraq in the Gulf war, Iran is conducting a major industrial and manpower mobilization that Western analysts predict will lead to a forceful military blow on the southern front in coming weeks.

Mobilization is evident throughout the country, according to Iranian and Western sources.

In the capital, hundreds of young Revolutionary Guards rallied at a hotel in central Tehran last week chanting war slogans. In a display of war fervor, they began firing their automatic weapons into the air over the crowded city center.

The Ministry of War Information and other state organizations have accompanied the mobilization with a propaganda push urging Iran's 48 million people to make greater sacrifices to win the "imposed war," which Iraq began in September 1980.

Last week, Tehran radio broadcasts announced the departures of tens of thousands of fresh *baseej*, or volunteer, fighters to the southern front in advance of Saturday's Persian new year, the date by which Iranian leaders had promised to launch a decisive blow against Iraq.

Sources estimate that 40,000 to 50,000 fresh baseej fighters are positioned to lead an attack around the southern town of Basra, Iraq's second-largest city, which has been pounded by Iranian artillery since they gained new ground against the city's outer defenses in January.

After that battle, Iran's spiritual leader, Ayatollah Ruhollah Khomeini, called for 100,000 new volunteers to force a climactic conclusion to the war.

"The Iranians have convinced themselves that they are going to win this war," said a Western diplomat, "and the smart money is on another big offensive in the south."

Hundreds of thousands of tons of weapons, munitions and supplies are said by Western intelligence sources to be stored at Ahwaz and Dizful, the western cities that serve as railheads and logistical centers for Iran's resupply of its southern forces.

Hashemi Rafsanjani, the speaker of Iran's parliament and Ayatollah Khomeini's personal representative on the Supreme Defense Council, has twice disappeared in the past three weeks and has been said by sources to be at the Revolutionary Guards headquarters in Ahwaz overseeing plans for the next military strike.

Mr. Rafsanjani similarly dropped out of sight the week before Iran's ill-fated Karbala-4 offensive on Christmas Eve and before the subsequent Karbala-5 offensive, in which waves of attackers overran some of Basra's outer defenses.

"There is a very interesting correlation between his disappearances and the launching of offensives at the war front," said a diplomat who tracks Mr. Rafsanjani's moves on a daily basis.

Officials in Tehran, just weeks ago eager to send foreign journalists to the southern front to survey Iranian gains there, last week sealed off the area to foreign travelers and canceled without explanation invitations for foreign reporters to tour front-line positions.

In Iran's civilian industrial sector, the two largest concrete plants in Tehran and the country's largest steel factory at Isfahan have been ordered by the government to redirect their production lines to build reinforced bunkers and bomb-shelter parts at a rate of 5,000 units a month, according to a source.

This source and several other analysts said the crash production program indicated that Iran's military leaders were planning a campaign that could provoke Iraqi retaliatory air attacks.

A military command has been formed to mobilize and train civilians for bomb-shelter construction after punishing raids by Iraqi jets from November to February that killed an estimated 3,000 civilians, mostly in Iran's western cities.

Iranian officials last week took foreign correspondents on a tour of the bomb damage in the western city of Orumiyeh, which has been hit by 118 bombing raids since Jan. 9. Officials said 25 students at an elementary school there died when a bomb struck the building at 10 A.M. on Jan. 31.

A short distance from the school, another bomb struck a small car-repair shop and killed 50 people, officials said. In another neighborhood, 25 houses were destroyed Feb. 11, though most of the residents were spared because they were attending festivities marking the anniversary of the Islamic republic in Iran, an official said.

"The Iraqis are responsible for some barbarous acts against this country," said a Western diplomat.

Both sides have attacked civilian targets. Iran has fired missiles at Baghdad, and some of those high-explosive warheads have fallen on residential neighborhoods, killing hundreds of civilians.

■ U.S. Commitment in Gulf

Fred Farris of the International Herald Tribune reported from Washington:

Defense Secretary Caspar W. Weinberger underscored Sunday a U.S. commitment to keep the Gulf safe for the free passage of oil tankers.

"It is vital that those shipping lanes remain open," Mr. Weinberger said. "Europe, ourselves, Japan, many, many countries depend on the free passage of oil and other cargoes through that area."

Speaking in a television interview, he added: "We are fully prepared to do what is necessary to keep the shipping going and keep the freedom of navigation available in that very vital waterway of the world."

Iran has recently been testing Chinese-made anti-ship missiles, and reportedly has moved to deploy them near the Gulf's narrowest point, the Strait of Hormuz.

Mr. Weinberger said that the administration was examining "all the options the president might have" should there be any request for U.S. assistance.

"If those requests come in," he said, "and if host countries are anxious to have us or our help, we're fully prepared to help."

The Pentagon has moved 18 warships within striking distance of Iran, an action Mr. Weinberger said was "not unusual in any sense."

Baker Expects No Big Iran Developments

United Press International

WASHINGTON — Howard H. Baker Jr., the White House chief of staff, predicted Sunday that there would be no "big, new, devastating development" that could undermine President Ronald Reagan's recovery from the Iran-contra affair.

Citing his internal review of the affair, Mr. Baker said Mr. Reagan would overcome the crisis caused by U.S. arms sales to Iran and the diversion of some of the profits to Nicaraguan rebels, known as contras.

He said he expected the president to be in firm control of the government until his term ends in 1988.

"It depends, of course, on what else develops," Mr. Baker said on a U.S. television program. Since he was appointed chief of staff last month, he said, he had "looked very hard" for new developments in the affair that Mr. Reagan might need to confront. "I haven't found any," he said.

Magazine Reports Ayatollah Tricked U.S. on Arms Deal

Reuters

WASHINGTON — The Ayatollah Ruhollah Khomeini personally directed an elaborate plan to trick the United States into selling arms to Tehran, a U.S. magazine has reported.

U.S. News and World Report, quoting sources in the Middle East, said Saturday: "It was not the United States that made overtures to Iran, but the reverse. And the Iranians had no real interest in strategic relations with America.

The report said Ayatollah Khomeini, Iran's spiritual leader, had reports circulated of his failing health and of a factional struggle between pro-West and fundamentalist forces in Iran. His aim was to dupe the United States into making overtures about developing relations with a post-Khomeini Iran.

ARMS: *Soviet Says U.S. Is Trying to Back Out on Accord*

(Continued from Page 1)

Gorbachev and President Ronald Reagan.

Secretary of State George P. Shultz is scheduled to visit Moscow April 13-15.

Mr. Karpov's remarks provide the first official indication in Moscow that the future of the proposed missiles accord, which has improved the climate of U.S.-Soviet relations, is far from certain.

Published on the eve of a meeting in Moscow of Warsaw Pact foreign ministers and the upcoming visit of Prime Minister Margaret Thatcher of Britain, it may also reflect a Soviet desire to project a tough negotiating style to its allies and to those of the United States until the terms of the agreement are fixed, Western diplomats said.

In the interview, Mr. Karpov reiterated the Soviet interest in such an arms accord, saying that "an agreement on the elimination of Euromissiles can be prepared in the course of three to four, or five to six months at most."

U.S. officials, including the chief arms negotiator, Max Kampelman, have predicted that a U.S.-Soviet missile agreement could be signed this year.

Mr. Karpov said, however, that a proposal by the U.S. delegation to the Geneva arms talks would allow the United States to transform Pershing-2 missiles into a shorter stage by removing a stage.

This would allow the United States to maintain its 108 Pershings in West Germany, and the missiles could easily be converted back to medium range by adding a stage, he said.

The Soviet Union has "a stake in the agreement becoming a real contribution to European security," Mr. Karpov said. "But if instead of that they wish to palm off on us a scrap of paper as a cover for the preservation of the U.S. nuclear potential in Europe, we will not agree to that."

DRUGS: *New Traffickers in U.S.*

(Continued from Page 1)

aging U.S. cases against the Mafia, including the "pizza connection" trial that ended March 2 in the conviction of the former chief of the Sicilian *Mafia* and *16* other defendants for operating a drug smuggling ring from Sicily to Brazil to the Middle West.

In the last two years, increasing numbers of *major heroin* cases in New York have involved criminal organizations of Chinese, Pakistanis, Israelis and West Africans.

Law enforcement officials say a recent flurry of cases against these groups are "test bores" into worlds they do not completely understand. It may take years to understand fully how these gangs are organized, they say, how they make contacts with organizations distributing the drug in New York ghettos and how they take their profits out of the country.

"They prey on their own with extortion and protection rackets," said Ronald Goldstock, the director of the New York State Organized Crime Task Force, "in a culture where people don't go to the police and where most police don't speak the language."

Evidence abounds that gangs of ethnic Chinese from Thailand, Hong Kong, Malaysia, Taiwan and China are shipping large quantities of heroin into the United States.

Since January 1986, U.S. agents have seized more than 200 pounds (more than 90 kilograms) of heroin in New York, worth hundreds of millions of dollars. It had been shipped by Chinese gangs in furniture, musical instruments and air-conditioners.

On a smaller scale, law-enforcement authorities have become increasingly aware of heroin trafficking by Israeli criminal organizations.

Like the Chinese, the Israeli criminal gangs are drawn from a dispersed population of expatriates who live and conduct business in Asia, Europe and the United States.

Many are believed to have met one another in Israeli prisons, officials say. As with the Chinese and other gangs, officials say, Israeli criminals are only a tiny part of larger *ethnic* communities in the United States.

Authorities believe that there are now at least several hundred Israelis around the world who may affiliate with one another for criminal activities and that there are at least four large organizations with members on several continents.

Malta Elections Set for May

United Press International

VALLETTA, Malta — Prime Minister Karmenu Mifsud Bonnici announced Sunday that a general election, the fifth since Malta gained independence from Britain in 1964, will be held May 9. The single-chamber legislature of 65 members was dissolved Feb. 14.

ITALY: *'Proof' of Network*

(Continued from Page 1)

may visit Paris for more detailed inquiries.

Until recently, officials here believed that Italian guerrillas had remained on the margin of efforts to unify West European guerrilla groups that targeted North Atlantic Treaty Organization nations.

But the Red Army Faction in West Germany used the names of former members of the Red Brigades in two attacks last year, and four members of Direct Action arrested in Paris last month were reported to have told investigators that actions were being prepared against Italian targets.

Mr. Scalfaro said that protection against such attacks was almost impossible. "One cannot protect numerous targets of such a wide campaign against the world of industry and defense," he said.

■ Abduction Plan Reported

Members of Direct Action planned to kidnap a nuclear energy official and force him to divulge details of France's neutron bomb technology, the weekly Le Point said Sunday, Reuters reported from Paris.

The weekly said the arrest of two Direct Action leaders, Jean-Marc Rouillon and Nathalie Menigon, at their farmhouse hideout on Feb. 21, was just 48 hours before they planned to carry out the kidnap.

SHIITE: *From Beirut to Oil Fields, They Fight Ancient Foe: Arab Order*

(Continued from Page 1)

said that attempts by outsiders to mediate the Gulf war or the plight of hostages ran into difficulty "because mediation is something with strong negative religious connotations."

The Islamic revolution of Ayatollah Khomeini that toppled the shah of Iran, who was seen as the most powerful U.S. ally in the region, proved a historical watershed in 1979.

Iraq, with a Shiite majority controlled by President Saddam Hussein's secular Ba'athist regime, has been a prime target for the export of Ayatollah Khomeini's revolution. As an unalterable condition for ending its war with Iraq, Iran has demanded the removal of Mr. Hussein.

"If Iran defeats Iraq and an Iraqi state emerges reflecting the power of the Shia, it will be a sea change in Arab politics," Mr. Ajami said.

Kuwait, roughly one-third of whose native population is made up of Shiites who are largely of Iranian origin, has been just one one of the neighbors jarred by the war. On Dec. 12, 1983, suicide truck bombers from the Iraqi underground organization Al Daawa, or The Call, crashed into the U.S. and French embassies.

Seventeen Shiites were convicted in the bombings, and subsequent demands for their release prompted the kidnapping of American and French hostages in Beirut. Kuwait's ruler, Sheik Jaber al-Ahmad al-Sabah, narrowly escaped death when a suicide car bomber crashed into his limousine, killing five persons, in May 1985.

But it is in Lebanon, from the remote Bekaa region in the east to the teeming slums and refugee districts of Beirut to the villages of the south, that the Shiite drama is most vivid.

What Mr. Ajami calls the "Shia journey out of self-contempt and political quiescence" began in 1959 when the Iranian-born cleric Musa Sadr arrived as the religious mufti, or judge, in the southern Lebanese city of Tyre.

Before he disappeared during a visit to Libya in 1978, Musa Sadr forged the economic, political, and eventually military, movement known as Amal. "Arms are the adornment of the man," he declared.

Amal, now under the leadership of Justice Minister Nabih Berri, has been primarily a reformist movement seeking a fairer share of power in a Lebanese government. But in the last few years it has been increasingly challenged by the pro-Iranian Hezbollah.

Before the Syrian troops arrived, Hezbollah plastered the once-gaudy streets of West Beirut with portraits of Ayatollah Khomeini calling for the creation of an Islamic Republic.

"The Shia 'street' is very different than 1982, when Amal represented moderate reformism," said Colonel Norton. "They were middle of the road, but the road has moved way over to the flank."

In West Beirut, the rise of the Shiites has not been universally welcomed. When the Amal militia besieged Palestinian guerrillas last month in the refugee districts, Druze militiamen with Sunni backing attacked the Amal fighters in some of the harshest street combat the city could recall.

Iran has increasingly become an arbiter in Lebanon, beginning in the summer of 1982. During the Israeli invasion, it sent about 1,000 Revolutionary Guards to the Baalbek area of the Bekaa. This was the headquarters of Hussein Musawi, who had split from Mr. Berri's leadership to form a group known as Islamic Amal.

The Revolutionary Guards are one part of an Iranian apparatus reportedly directed through Iran's embassy in Damascus. It is ultimately responsible to an organization in Tehran that is headed by Ayatollah Khomeini's designated successor, Ayatollah Hussein Ali Montazeri, and dedicated to exporting the Islamic revolution.

Mutual Funds

Figures as of close of trading Friday March 20

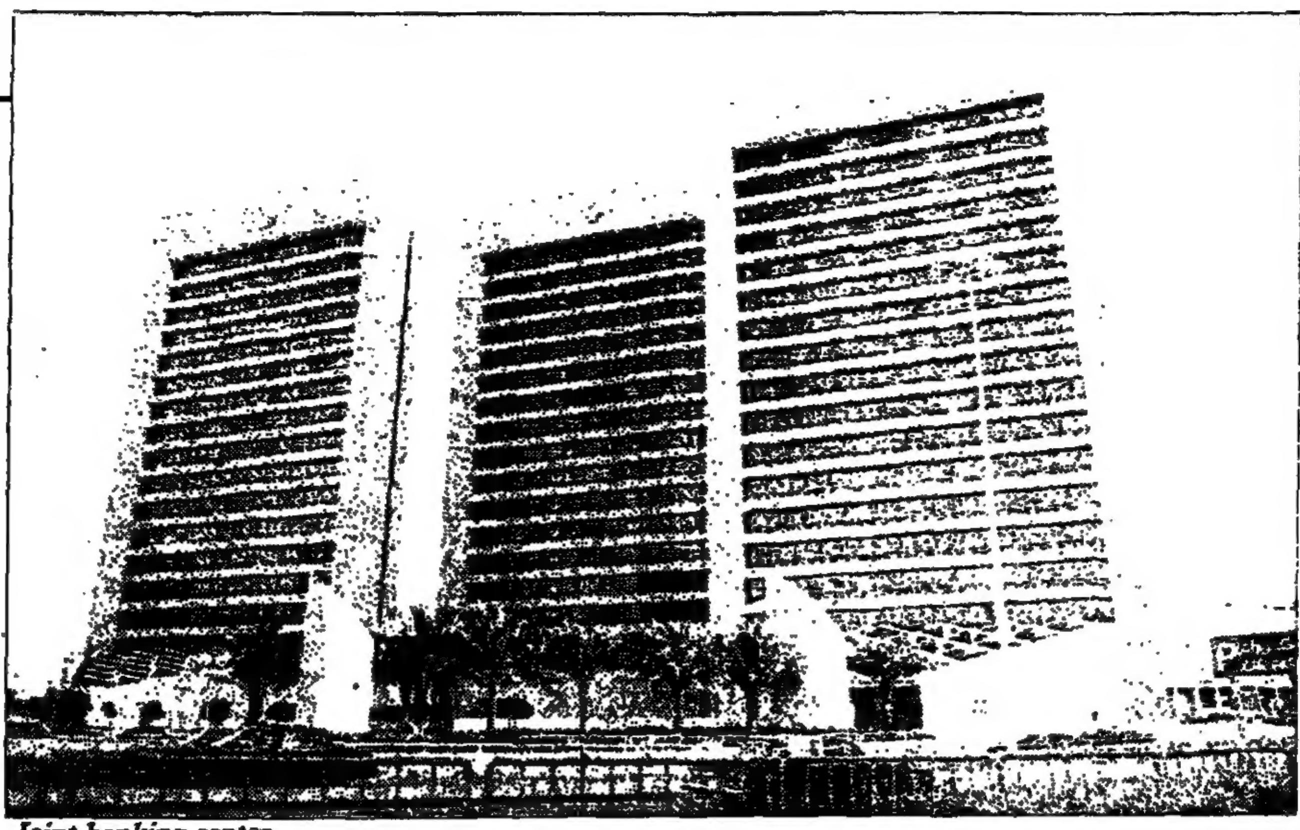
NEW YORK (AP) — The following quotations, supplied by the National Association of Securities Dealers, Inc., are the prices at which these securities could have been sold (Net Asset Value) or bought (value plus sales charge) Friday.

	Bid	Ask
AARP Invst:		
CapGr	25.51	NL
GinlM	16.30	NL
GenBd	16.85	NL
GthInc	24.43	NL
TxFBd	17.09	NL
TxFSh	15.70	NL
ABT Midwest:		
Emrg	11.84	12.43
GthInc	13.73	14.41
IntGv	10.75	10.97
[illegible]		
SoGth	17.61	NL
Bostl	16.81	NL
Bowser	2.20	NL
Brndywn	15.70	NL
Bruce n	127.82	NL
Bull & Bear Gp:		
CapGr	12.67	NL
EqInc	12.58	NL
Golcn	16.49	NL
HiYld	13.88	NL
TxFre	18.41	NL
USGvt	15.13	NL
ColMun	9.12	NL
ColTrst	12.12	NL
Calvert Group:		
Ariel	18.22	19.07
Equity	24.58	NL
Inco	17.24	18.05
Social	26.41	27.65
TxF Lt	10.70	NL
TxF Lg	16.69	NL
US Gov	15.57	16.24
WshA r	21.96	NL
Carnegie Funds:		
Govt	10.19	10.61
CapGr	16.41	17.09
CapTR	11.68	12.17
[illegible]		

ADVERTISING SECTION

KUWAIT

Since independence in 1961, Kuwait has developed one of the soundest oil-based economies, coupled with a strong international investment policy. It has been more perceptive than most in creating essential infrastructures: hospitals, colleges, a large university and advanced communications. Its path to prosperity, however, has not been trouble-free. Over the past six months, Kuwaiti bankers have been implementing a unique government rescue package to cover the bad debts incurred after the highly disruptive local stock-market crash in 1982. The 'Settlement Program,' as it is called, is the envy of many world bankers. Some see the program as a model for other would-be loan defaulters.



Joint banking center.

Kuwait is humming with activity again and back on course as the financial and economic dynamo of the Gulf. Contractors are working night and day to double the size of the building which houses the Central Bank of Kuwait, the state's central banking authority. Across the nearby souk area, the adjacent towers of the newly opened Kuwait Finance House and the nearly completed 20-story Alahli Bank pierce the blue sky: a few hundred paces away the three 18-story towers of the joint banking center stand, close by to the Gulf Bank and the Commercial Bank of Kuwait.

Facing them is the black shiny glass building that houses the two-year-old Stock Exchange. Seen through its walls, like in a silent movie, robed Arab brokers, as if performing some mysterious ritual, gather in small groups, expand in size and break away in hectic activity as trading carries on as usual.

This is the new Kuwait. And if confidence can be measured in concrete and glass, or the relaxed smiles of Kuwait's bankers, not to mention the sum total of financial assets, Kuwait is clearly in the black. And so it should be, now that the Central Bank has pumped billions of dollars into the system to help rescue the six thousand or so debtors after the stock-market debacle of 1982.

The financial community is heaving a sigh of relief. Ever since the Central Bank announced the Settlement Program in its final intervention last August, bankers and their clients have been working feverishly to reschedule non-performing loans and other liabilities. And every banker and merchant hopes that the collapse of the stock market will pass into history as just a bad dream. It was a disaster for many and also affected Kuwait's image as a whole.

Bankers today feel that, overall, the stock-market collapse put the country's economic position into a false perspective. As one leading financier explains: "You must consider the overall strength of our foreign reserves, our per capita income (one of the highest in the world at more than $15,000), our mineral resources and the tremendous strength of government and private assets overseas."

Kuwait has enough oil to last well into the second half of the next century, the interest from its published overseas assets are enough to keep its current account in the black, and its official reserves are sufficient to purchase enough imports to last another one and a half years. Few industrialized countries, if any, can match that position. "Of course, I am not trying to paint a completely rosy picture," said the financier. "We do have a financial problem, but we are coping with it."

The difficulty lies in how to bail out the bad debts and keep the banking system intact without offering preferential treatment to any one party and without being misunderstood.

The collapse was a tough lesson, but, according to one banker, it could not have come at a better time. "This is a very rich country. People forget that," says Mr. Raid M. Al Hamad, deputy general manager of The Commercial Bank of Kuwait. "Luckily we had this lesson four years ago. If it had happened in ten years time we might not have been able to handle the problem. We are solid rich here. Oil prices have begun to go up a little, our production costs are relatively cheap, and this has provided us with a built-in economic cushion. Now the economic wheel is beginning to turn again and we are stronger than ever before."

According to Dr. Yousef A. Al Awadi, chief general manager and chief executive of the Gulf Bank, Kuwait's second largest in terms of assets (KD 1.8 billion or $6.5 billion in December 1986), now that the Central Bank has guaranteed the solvency of the commercial banks, the latter will be able to generate adequate operating profits and distribute reasonable dividends to their shareholders.

"The government's decision has greatly comforted us and cured any doubts that might have remained about our getting support," added Dr. Yousef. "We are now putting all our effort into making the loan settlement program a success and every move is being monitored at the highest level. We hope to complete our rescheduling within about nine months time."

At the privately owned National Bank of Kuwait, which, because of shrewd strategic planning, suffered less from non-performing loans than its competitors, Mr. Ibrahim Shukri Dabdoub, chief general manager, comments: "We have been through some of the most turbulent years, but now I have a very good feeling that we are back to normal." He views the Souk Al-Manakh as a catalyst "which speeded up the deflationary process. The good side to it all was that we were shocked into realizing our true economic position."

Arriving at a solution was not easy. There were disagreements, dismissals and resignations, as well as suspension of the National Assembly. The Settlement Program announced last August by the Central Bank provided

(Continued on page 10)

From Pearls to Petroleum

During the 'roaring twenties,' when Europe was in an upswing whirl of prosperity, Kuwaiti traders came to London and Paris to sell pearls, the only resource which they had to bargain. Those early travelers gained an insight into Europe and a different perspective on the world at large, an advantage which they were quick to develop in the years ahead. Investment in education has also played a key role. Today the traders are back, but this time with "Q8" road tankers and gas stations.


Sheikh Ali Jaber Al-Ali Al-Sabah, Managing Director, Marketing, Kuwait Petroleum Corporation, showing new 'Q8' delivery trucks in Europe.

Kuwait is different from the other Arab Gulf countries and has always had to depend on its own initiative to survive economically. Those early pearl traders and seafarers knew the way of the world, something their families today have never forgotten. Now the Kuwaitis are trading petroleum in Europe, produced from their own wells, refined in their own plants and sold at their own gas stations in Europe. Oil, their one resource which will last well into the next century, has replaced the pearls. In addition they now have the money from the oil, money which was employed with considerable wisdom during the 1950s and 1960s.

Sheikh Ali Jaber Al-Ali Al-Sabah, Kuwait Petroleum Corporation's marketing chief and a member of Kuwait's ruling family, believes that his country's investment in education during the early days just prior to and during independence was one of the wisest decisions made. It is now paying dividends in terms of human resources.

"If we had not been better educated I don't know what would have happened to this country," says Sheikh Ali, who studied in the United States and Lebanon. He also believes that because his country had been blessed with oil wealth far beyond its own needs, it has a moral commitment to make its surpluses available to the rest of the world.

One of the most astute moves by the Kuwaitis was the creation of the Fund for Future Generations into which a percentage of all oil revenues is automatically invested. This fund is now said to total more than $37 billion. As its name implies, the fund is a hedge against the day when the oil runs out. Oil is now being produced at just under one million barrels a day, compared to about 1.4 million b/d during 1986. According to Kuwait Petroleum Corporation (KPC) officials, output could be boosted anytime to 2.5 million b/d.

Sheikh Ali has been blazing a trail for Kuwait's oil products in Europe, where gas is now being sold under the brand name of "Q8." KPC now has around 3,000 gas stations throughout continental Europe. KPC has also acquired, as from last October, 800 gas stations in the U.K. through its acquisition of Hays Petroleum. It has also just announced an agreement to acquire the U.K. gas station network of Ultramar, which, when the agreement is completed, will add a further 465 gas stations to the network. Sheikh Ali hopes to see more outlets throughout the rest of Europe in the not-too-distant future, in addition to its refineries in Holland and Denmark.

"We would like to be No.2 or No.3 in all Europe but we've got a long way to go yet," says Sheikh Ali, who sees KPC's long-term policy as one of partial integration "because there will always be third party sales of oil." Another reason is that competing on the international downstream market also means competing with major oil companies, "and that requires the availability of a certain amount of human effort. We also have to have manpower resources for all our European projects."

Following the oil from the well to the gas tank and increasing its added value throughout the whole downstream process is KPC's key strategy. It has the only integrated Arab oil industry and holds the second-greatest refining capacity after Saudi Arabia. But it is also looking for more holes in the ground, or under the sea, from which to extract the basic resource.

Exploration and exploitation is now carried out by Kuwait Foreign Petroleum Exploration Company (KFPEC). Mr Mahmoud A. Al Rahmani, deputy managing director responsible for planning and development, again reiterates the point about Kuwait's oil skill base.

"Our aim now is to open up new avenues for training more Kuwaitis in the oil industry," said Mr Mahmoud, who believes that Kuwait's determination, financial capital and technical know-how are essential ingredients in KFPEC's strategy for joint ventures overseas.

Although drilling and operating costs have fallen dramatically to about $20,000 a day or less compared to $50,000 to $60,000 a few years ago, KFPEC has decided to concentrate its efforts on "more mature areas" and to withdraw from the high-risk projects. Last year was mainly one of consolidation and Mr. Mahmoud said the company is trying to improve its exploration portfolio and forget the "one-shot" opportunities.

One of KFPEC's most successful ventures has been in Tanzania. More recently it has made a major gas find with Arco in the South China Sea. Currently estimated at about 3 trillion cubic meters, it is one of the biggest finds in the region. Other projects are being developed in Indonesia, Australia and Egypt. This year KFPEC will be participating in about 20 drilling programs worldwide.

(Continued from page 9)

for interest-free loans and rescheduling spread over a period of up to 15 years.

A Central Bank spokesman says: "When you consider the measures which we have introduced for credit settlements, I don't think any other country in the world could have brought in such measures and safeguarded the interest of bank depositors and shareholders, who will not suffer any loss whatsoever."

Under the terms of the agreement, every debtor will in fact pay back according to his means and will undergo a detailed investigation of his assets, both at home and abroad. False, or misleading, declarations will incur legal action and severe penalties. In addition, the Central Bank is encouraging the commercial banks to increase their profitability and to build up reserves in order to combat any future bad debts.

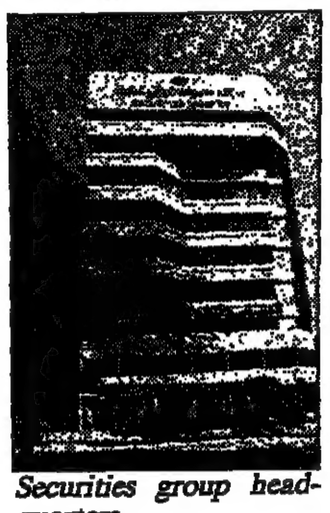
The banks have been given a maximum of two years from last August to apply the Settlement Program. A special banking committee has been established to investigate difficult cases, such as those that might involve contractors and real-estate companies. Another committee will act as a court of appeal. Two special courts have been established to deal with debtors who make false declarations. Swift justice is promised.

So far everything appears to be going fairly smoothly. The governor of the Central Bank, Sheikh Salem Abdul-Aziz Al-Saud Al Sabah, comments that: "There has been a very encouraging response to the program and 76.7 percent of the people have declared their assets following the first call from the banks. Of those who have responded, about 78.2 percent have in fact completed their applications under the Settlement Program."

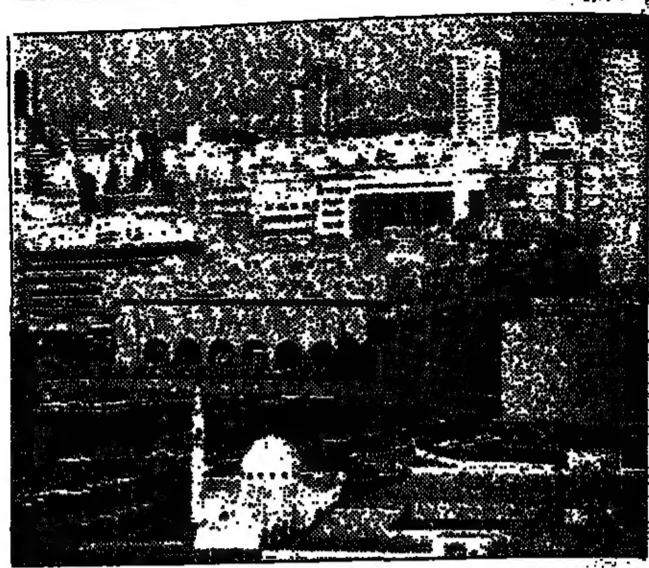
Sheikh Salem took over as governor last September. Nobody wants to rock the Kuwait money boat any longer and Sheikh Salem, aged 36, an economics graduate from Beirut's American University, and a member of the Kuwait royal family, is determined to make certain that Kuwait banks maintain an even keel. Banks will be more closely supervised, they will be encouraged to diversify and generate more fee-earning services, and they must make profits and distribute part of their income.

Without exception, the commercial banks welcome the Settlement Program and the new measures. The injection of capital in one form or another from the Central Bank has boosted their 1986 balance sheets, which are now being presented for approval. At the end of October, total commercial bank assets stood at KD 9.6 billion ($34.7 billion).

Mr. Abdul Salam A. Al Awadi, deputy chairman and managing director of Alahli Bank, agrees that on the whole the commercial banks will have done better last year. "Of course we are now feeling more secure," he says. "The settlement program is unique for this region even if you compare it on an international basis. The state is supporting all Kuwaiti banks and has committed itself to maintaining their security and that of individuals. We have started implementing the program with very encouraging results to date."


Securities group headquarters.

Mr. Abdul believes that the measures applied to declaration of assets will be strictly followed. "If a client is not honest with us, he will really get hurt, not just for a couple of years, but for at least ten years."


Kuwait City center with towers in background.

Mr. Fahad Abdulrahman Al Bahar, chairman of the Bank of Kuwait and the Middle East, has a slightly more cautious view. He does not believe that everything can be solved right away. "The program is going well and the results are encouraging," says Mr. Fahad. "I do not think we could have got a better deal anywhere else. Now that all our troubles and crises have been brought together, we have an opportunity to solve all these problems in one go."

Mr. Mohamed Aqeel Tawfiqi, acting general manager of Burgan Bank, which is majority-owned by the government, is now very optimistic: "We needed a program like this which almost solves most of the issues and puts an end to the Souk al Manakh crisis. The government is eager to reactivate the economy. Most importantly, we have all got our confidence back."

Speaking for all the banks, Dr. Farid Ahmad Kalendar, general secretary of the Kuwaiti Banks Committee, sums up the present position: "Now that we have implemented the government's program, we are in good shape."

Kuwait has no doubt learned a bitter lesson from what, in hindsight, most financiers agree was an inevitable crisis. But only an Islamic country with the economic strength of Kuwait, developed since the first oil revenues started flowing in substantial quantities 30 years ago, could have coped with such a catastrophe — and emerged with its financial clout intact. The only blot on the horizon, and it is uncomfortably close, is the continuing Iran-Iraq war, which, as well as being a drain on some Arab resources, has disrupted the local export-import trade.

"When that war is over it will put the heart back into our traders and especially the contractors," says Commercial Bank's Raid Al Ahmad.

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ADVERTISING SECTION

Post-Settlement Banking

Now that the Government rescue package is being implemented, Kuwaiti banks are once again getting down to the serious business of making money and are heeding the Central Bank's edict to improve their balance sheets.

One year ago bankers had nothing much to talk about except doom and gloom. Today the situation could not be more different and there are sighs of relief all round the banking towers of Safat and Sharq.

Mr. Ibrahim S. Dabdoub, chief general manager and chief executive of the National Bank of Kuwait.

The one exception during the turbulent eighteen months has been the National Bank of Kuwait (NBK). Its happy camel logo is no mirage. NBK, formed in 1952 by a group of merchants, reflects the growth of Kuwait during the heady years of the petrodollar era at the start of the 1970s. What has made NBK different was that it recognized as early as 1980 that the post-1974 oil boom would eventually slow down.

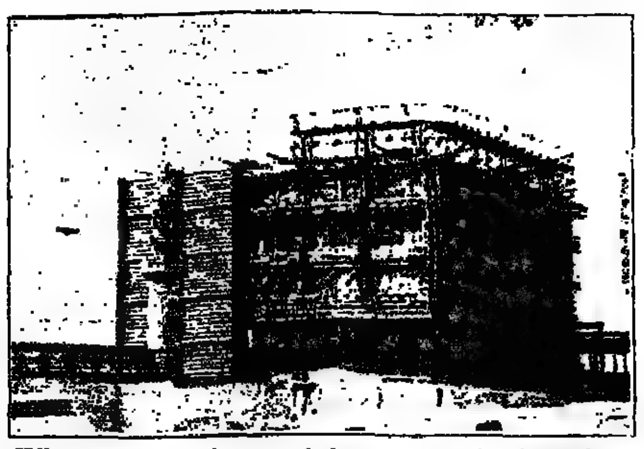
"The challenge to the entire financial system in the Gulf and to commercial banks in particular was not hard to predict," says Mr. Ibrahim S. Dabdoub, NBK's chief general manager and chief executive officer. The decline in oil revenues was accompanied by a fall in government expenditure, the prime mover not only in Kuwait but throughout the Gulf. Consequently, NBK decided on a strategic business policy based on greater internationalization, a move into investment banking services and a consolidated position as a leading domestic bank.

"We are first of all a Gulf regional bank, which is very important as it means that our customer base is essentially in the Gulf Cooperation Council countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates)," says Mr. Dabdoub.

Since implementing its new strategy, the bank has grown rapidly in terms of representation in the Gulf and overseas, as well as in assets and profits. It has branches in London, New York and Singapore as well as investment subsidiaries in Geneva and London. Last year it took a controlling interest in the Paris-based FRAB Bank International, whose French and Bahrain operations have been incorporated into NBK's global network.

During the early 1980s, NBK was more prudent than most in making provision for non-performing loans. It increased its banking services and its customer base. Last year its balance sheet figures increased to $11 billion and it paid out a cash dividend of 20 percent plus 10 percent bonus shares.

The National Bank of Kuwait's strong professional reputation is matched by its overseas growth. This, says Mr. Dabdoub, has assured it the confidence of its Gulf customers. "We talk their language. They have confidence in us as an institution



When construction work is completed this spring, the Central Bank of Kuwait will have doubled in size.

which has maintained profitability. We have a sound capital base and a stable management," adds Mr. Dabdoub, who has been with NBK for 27 years.

The bank has also taken a lead in launching new investments. A recently launched bond issue attracted $30 million in four months and NBK is now launching Kuwait's first international equity fund.

Looking to the future, Mr. Dabdoub sees NBK acting very much as the flow base for trade finance, wholesale banking and investments between the GCC countries and the rest of the world.

Product innovation has also played an important role at Gulf Bank, whose strong international presence includes branches in New York, Singapore and a representative office in London as well as 30 domestic branches. It too has seen an opportunity to turn adversity into opportunity by the development of modern banking technology.

Dr. Yousef A. Al Awadi, Gulf Bank's chief general manager and chief executive officer, says that apart from putting all efforts into making the loan Settlement Program a success, the bank is looking at new delivery systems for both retail and institutional clients and more innovative products. "The trend now is away from interest income to more fee-earning services," says Dr. Yousef, whose bank now has assets of around KD 1.8 billion ($6.5 billion). "In terms of operational profit, 1986 was a little higher than what we had anticipated," he adds. Figures are at present with the Central Bank awaiting approval.

Dr. Yousef A. Al-Awadi, chief executive manager and chief executive officer of The Gulf Bank.

The most recent product introduction is "Corporate One" — a cash management account aimed at corporate clients with large cash-flow requirements. It provides an investment and credit facility with a transaction account offered in five currencies. "Corporate One" follows the launching two years ago of a "Golden Investor" money market account with interest added on a weekly basis. Following hard on the heels of other banks, Gulf is also looking at a number of equity fund projects.

Dr. Yousef believes that Gulf Bank has found a special niche for itself in what he describes as micro banking, "the ultimate delivery service" in the Middle East. Trials are already in progress with selected corporate clients who will have a 24-hour transaction system available through a small business or personal computer, modem and telephone link to the bank's mainframe computer. At present, the system only provides information on the customer's accounts, interest rates, currency changes and so on. Soon the system will go into a 'real time' mode so that the customer can carry out his own transactions directly. Although this has initially been aimed at the corporate client, Dr. Yousef says: "Businesses were the first to recognize the value of the service in managing their funds: our next step will be to educate individuals about these benefits."

Gulf Bank has also been looking hard at the potential of investment services and has introduced two mutual funds — the Islamic Fund and the Dhow Money Market Fund — which are managed by Dhow International Investment Services. Both were introduced last fall. The Islamic Fund showed at the end of January an annual increase of 31 percent and the Dhow Fund had risen by 49 percent.

Gulf Bank sees the introduction of micro banking and the use of its investment services as part of an overall strategy to educate the customers and improve the bank's profitability by becoming more efficient and increasing its fee-earning services. This is precisely the kind of thinking which is being encouraged by the Central Bank.

As for the Commercial Bank, it has gained a considerable reputation for its banking-systems technology and product development. It has a full branch in New York and its London representative office is to be upgraded to branch status in the near future. Mr. Raid M. Al Hamad, Commercial Bank's deputy general manager, says of the domestic banking scene today: "It is all ticking like a Swiss clock and we find everything running very smoothly now."

Computerization has been a key element in the bank's development both domestically and abroad. "During the last two or three years the main thrust of our activities has been to upgrade our technology throughout our entire 35-branch network," says Mr. Raid. He speaks enthusiastically about future developments involving home banking, POS (point of sale) and shared ATM (automatic teller machines) networks overseas. Through its link with Visa card, Commercial Bank already has access to some of the 10.000 ATMs around the world. It has about 3,000 Visa card holders in addition to its own autobank card, which has a circulation of

Mr. Raid M. Al Hamad, deputy general manager, Commercial Bank of Kuwait.

90,000 among its customers in Kuwait, the highest number anywhere in the Gulf.

In order to increase its fee-earning services, Commercial Bank has undergone a major reorganization of its principal profit centers and introduced a special investment desk at its New York branch for high net-worth individuals. It is now looking at possible expansion in the Far East.

Another bank which is expanding both upwards (into a brand new $59 million tower block) and outwards (with a new branch in Dubai) is Alhali Bank. It has had an interest in Dubai for some time but has now become the first Kuwaiti bank to open its own full branch office in another GCC country. "We also plan to develop internationally as well as domestically," says Mr. Abdul Salam A. Al Awadi, deputy chairman and managing director. This year it is to open a representative office and investment com-

(Continued on page 12)

The Settlement Program: Pay Little, Pay Longer

On August 11, 1986 the Central Bank of Kuwait published its long-awaited 18-page policy document on how the commercial banks and financial institutions were to deal with insolvent borrowers and non-performing loans following the stock market crash in 1982. It also outlined guarantees for the banks' shareholders and depositors. The National Bank of Kuwait summarizes the main points of the program, seen as a unique model and welcomed by the Bank for International Settlement, as follows:

"The 'difficult credit facilities settlement program' has three mainstays:

One: Guaranteeing the rights of the banks' shareholders and depositors.

Two: Allowing debtors a dignified standard of living.

Three: Rescheduling non-performing loans over a period of 10-15 years, depending on whether debtors can generate regular cash flows or not.

The debt of insolvent borrowers with uncertain cash flow will, accordingly, be governed by the following guidelines:

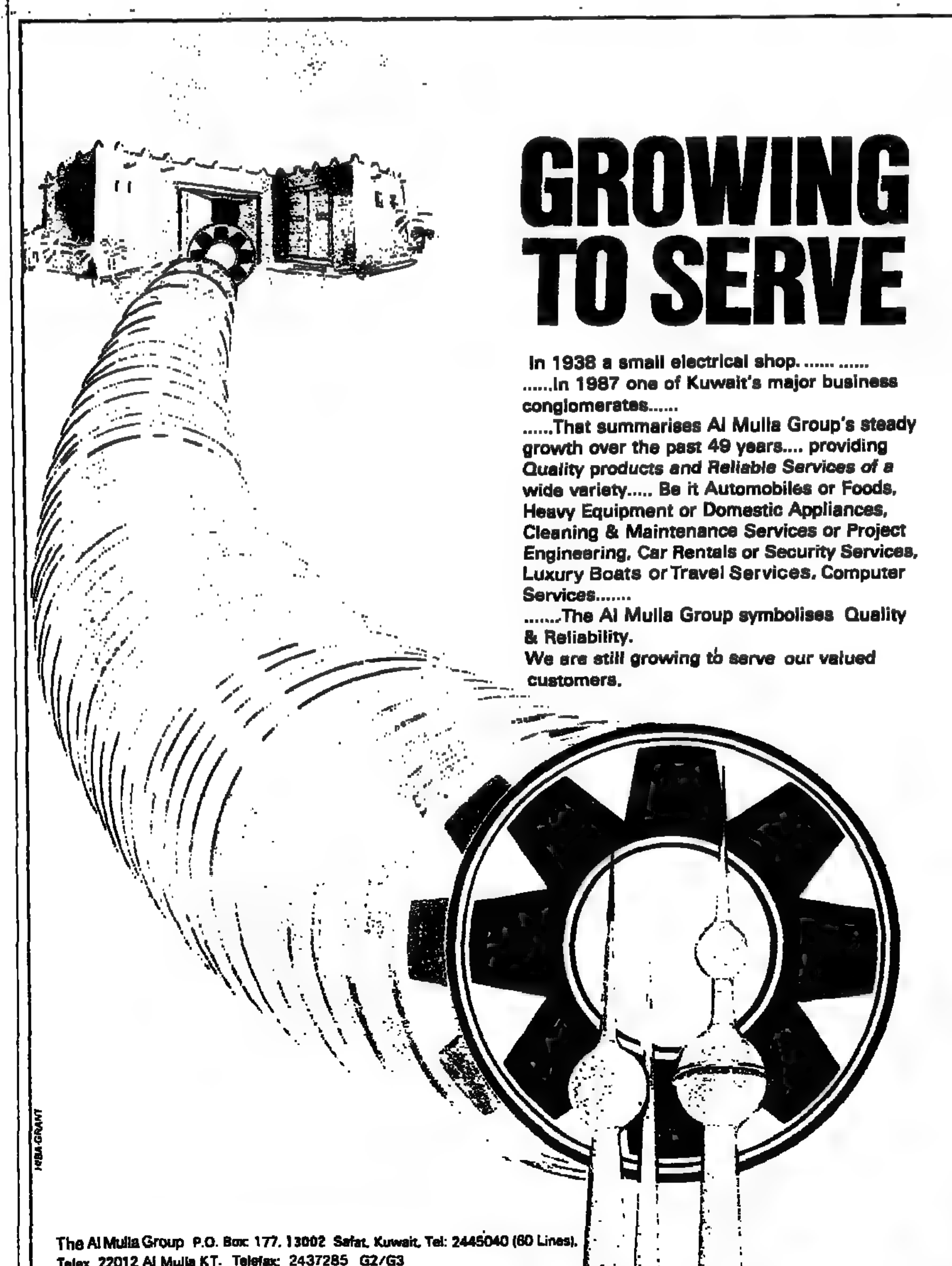
A. The bank will provide borrowers with a ten-year loan, bearing zero interest rate, equal to the value of all mortgageable assets on the date of the settlement and to be repaid in one of three ways: liquidating the collateral, acquiring the assets by the creditor bank, or through income generated by the assets.

B. The bank shall issue a non-interest bearing promissory note, maturing after ten years, equal to the difference between the total debt outstanding and the current value of mortgageable assets.

In contrast, insolvent borrowers with regular cash flows will be subject to different settlement criteria.

One: the bank shall reschedule the outstanding debt for 15 years at the maximum interest rate of 7 percent per annum, to be repaid from the borrower's cash flow.

Two: the bank shall issue a non-interest bearing promissory note equal to the difference between the total debt outstanding and the amount rescheduled. This instrument would mature with the full repayment of the rescheduled portion of the customer's debt, with the possibility of extending its maturity in the light of any changes in the customers' financial position or cash flow."



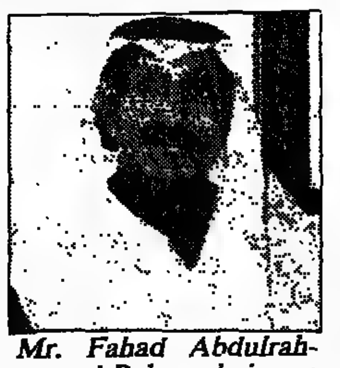
ADVERTISING SECTION

Banking

(Continued from page 11)

pany in London. The impetus to move outwards is a reflection of the Settlement Program, which has put new life into the banks, not least Alhali. Mr. Abdul admits that the situation had been fairly dismal a year or so ago but he has since then become far more optimistic. "We now have the opportunity to diversify more internationally," he says. Last year the bank increased its capital by 25 percent through a rights issue. Its assets now stand at KD 1.7 billion ($6.1 billion). Preliminary figures indicate a profit of KD 5.1 million ($18.4 million), a little higher than at the end of 1985. It is planning to announce a 9.5 percent bonus share issue once Central Bank approval has been obtained.

The Bank of Kuwait and the Middle East (BKME) is expecting to announce a 10-



Mr. Fahad Abdulrahman al Bahar, chairman of The Bank of Kuwait and the Middle East.

percent bonus share issue. Last year it increased its capitalization by 50 percent. Mr. Fahad Abdulrahman Al Bahar, chairman, expects balance sheet totals to be around KD 875 million ($3.2 billion) for 1986, almost the same as the previous year. "I think we will be happy to see a nominal growth in profits but we won't be surprised if they are not as high as in the past," says Mr. Fahad.

BKME has participation in London's United Bank of Kuwait and the Paris-based BAII and a 50-percent interest in the Kuwait Middle East Investment Company. Unlike some of the other banks, BKME, the oldest Kuwaiti bank, is not embarking on a program of internal expansion. "We prefer to buy into a successful operation rather then establish branches or representative offices overseas," comments Mr. Fahad.

On the other hand, Mr. Mohamed Aqeel Tawfiqi, acting general manager of Burgan Bank, is taking the overseas line. "We are definitely planning to increase our presence internationally, either through participation or through representation," he says. Burgan, named after the first oil well in Kuwait, is majority-owned by the government. The percentage of private shares, however, is greater than that of many of the other banks.

Burgan Bank was started only ten years ago and has built up a network of 12 domestic branches. It is considering constructing a new headquarters building about two years from now. This perhaps reflects the new wave of optimism which Mr. Mohamed sees flowing through the domestic banking system after the settlement.

The New Kuwait Finance House (left) and the Alahli Bank of Kuwait, still under construction (right).

Solar Power

Unlike most resources, the sun offers unlimited energy. And the Kuwait Institute for Scientific Research (KSIR) plans to tap it, by constructing an integrated solar-powered food/water/energy complex. "The Gulf Cooperation Council countries could save 50 percent of all their domestic power demands," says Dr. Adnan A. Al Homoud, energy engineering manager at KSIR, "if they used solar power."

By far the biggest consumption of power is for cooling apartments and offices. Kuwait has now introduced new building regulations which call for thermal insulation in construction work to help reduce cooling power loads. KSIR has done considerable research into designing and constructing energy-efficient buildings as well as producing solar-power systems.

Just outside Kuwait City at Suliabiah, KSIR has built a 100-kilowatt solar thermal power plant in a joint venture with a West German company. Its 56 paraboloid mirror collectors form a giant solar 'orchard.' The mirrors (they are turned upside down in the picture for maintenance) are computer-controlled and automatically track the sun.

Mr. Abdullah M. Alkandari, engineer of the project, says that the hi-tech solar collector, which points at the center of the mirror, reaches a temperatures of 800° C. Water and a chemical fluid heated in the collector are piped to the power house where steam vapor drives a turbine. In addition to making electrical power, the waste steam heat is condensed and used to produce brackish water which can be used for agricultural irrigation. As part of the project, a number of 'cool' greenhouses have been built in which trial planting of vegetables and fruit is being conducted.

Abdullah M. Al Kandari of Kuwait Institute for Scientific Research looks at underside of solar collector.

Nearby is KSIR's latest project — energy from solar ponds. These are huge rectangular 'swimming pools' about 1,700 square meters in size. The ponds are filled with salt water. This forms three layers in the pond, depending on the amount of salinity. When the sun shines on the pond, its rays penetrate the different layers of water which are heated. The bottom layer, a 25-percent salt solution, acts as the hot-water storage 'bank.' Energy is extracted from this bottom layer by means of a heat exchanger and generator.

Dr. Adnan believes that solar ponds probably have the best potential to produce energy at an economically commercial rate. A pond could produce about 600 megawatts of electricity.

"It really is so simple," says Dr. Adnan, who believes that Kuwait can be a world leader in this kind of development.

Getting It to the Pumps

Transportation is a key element in competitive pump prices at the gas station. Kuwait cuts costs by carrying refined products in its own vessels. Kuwait tanker chief Abdul Fattah Al-Bader comments on the current situation.

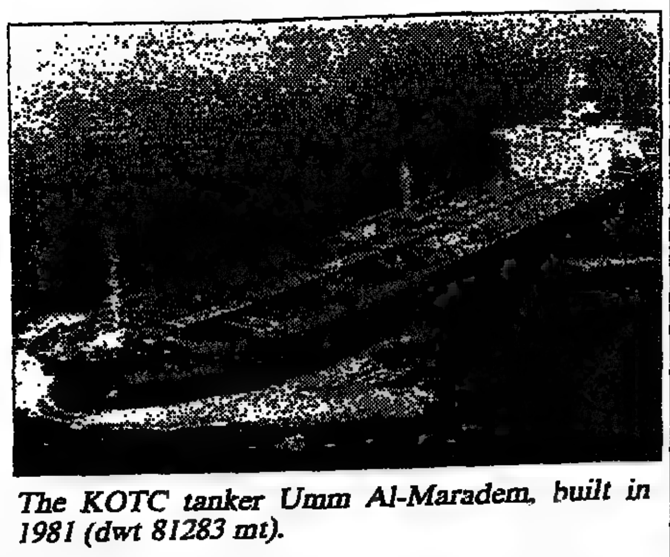
A worldwide boom in the tanker carrier market is predicted by Mr. Abdul Fattah Al-Bader, chairman and managing director of the Kuwait Oil Tanker Company (KOTC). "There has been no new building since 1976, so any existing tankers are halfway through their useful life and most of the older ones have been scrapped," says Mr. Abdul. Once a tanker deckmaster, he now operates a growing fleet of tankers and specialized product carriers.

KOTC, established as a private operator in 1957 and taken over by Kuwait Petroleum Corporation in 1980 when it owned about a dozen crude and LPG carriers, scrapped much of its idle fleet when oil prices fell. It kept just enough vessels and crude carriers to service the 200,000 b/d needs of its European refineries. Now it has embarked on a substantial new building program with six $130-million vessels on order from the South Korean Samsung yard.

KOTC's 22-strong fleet now consists of modern product carriers designed and built specially for the country's own oil and refined products trade. Says Mr. Abdul: "We have to make our exports more viable and we try to supply the lowest cost of transportation to make our products even more competitive."

Given the highly fluctuating price of oil over the last two years, maintaining a competitive edge, especially for supplies to northwest Europe, has been a target priority in which KOTC has played a vital role. It has developed some of the world's most specialized vessels, including the first product carrier in the 120,000-ton class which can pass through the Suez Canal. It is the largest vessel which can pass fully laden through the canal. "We have set a new trend in the world by becoming the first tanker company to use Very Large Product Carriers (VLPCs) to transport clean products on a big scale," explains Mr. Abdul. KOTC is the only owner to have two 290,000-ton VLPCs ($130 million apiece) capable of carrying a full load of four different types of refined products.

Reduced costs, tanker carrier innovation and sound strategic management have all played key roles in what Mr. Abdul describes as "a buyer's market for hydrocarbons." He adds: "We just have to trim our operational costs at every point in order to remain competitive and we must take into account



The KOTC tanker Umm Al-Maradem, built in 1981 (dwt 81283 mt).

all the changes, and possible ones to come, when we build any new ships."

By anticipating possible market developments, KOTC was able to plan its new building many years ahead of other tanker operators who had been wringing their hands in desperation at the downturn in the oil market. Now there is a shortage of carriers, especially VLCCs (Very Large Crude Carriers) because existing ones are half-way through their existing life or have been scrapped since new building stopped throughout the world twelve years ago. A year ago, says Mr. Abdul, VLCCs cost $4 million. Now the price has risen to $10 million and it is profitable to run almost any kind of tanker. Old ones are very costly to maintain and repair. With the boom in demand for tankers, major yards throughout the world, especially in South Korea and Yugoslavia, are now fully booked with orders.

Another shrewd move by KOTC was to scrap all its existing commercial insurance agreements. This decision was taken after the outbreak of the Iran-Iraq war seven years ago and, in spite of the casualty figures (about 200 vessels have been damaged in the Gulf during the present conflict), it has proven to be a good move for KOTC. "During the last six years our repair bill has only been between $2 million and $3 million and we have saved ourselves more than $100 million in premiums," explains Mr. Abdul.

Articles in this supplement were written by Lee Voysey.

GIC Projects Imminent

At the top of one of the three towers which form the joint banking center sits Dr. Khaled Al Fayez, chief executive of the Gulf Investment Corporation. The GIC is funded by the six member countries of the Gulf Cooperation Council (GCC). Formerly with the Gulf Investment Bank in Bahrain between 1976 and 1983, Dr. Khaled joined the GIC after its formation in 1984.

GIC was created with an authorized capital of $2.1 billion ($540 million paid up so far) to coordinate and strengthen GCC investment policy among its members — and in the longer-term investments overseas. The assets of GIC, now in its fourth year of operation, stand at $1.2 billion, a figure due more to its success on the interbank market than to its investment in new projects.

Dr. Khaled is a cautious man who came to GIC at what was perhaps the peak of the economic downturn in the Gulf. Although GIC has examined some 72 major projects, from chicken farming to aluminum rolling mills, it has not yet made any major project decisions. At least two, however, are imminent, according to Dr. Khaled. "I am more optimistic now than I was two years ago about going ahead with some of these schemes but I have always been a little cautious and this is no new phenomenon," he admits with a slight trace of humor.

He finds it hard to understand why some bankers and financiers expect instant decisions at a time when industrial saturation has almost been reached in many Gulf countries and when oil revenues are sharply declining. "Today we have to look at stimulating new service industries, perhaps in the agricultural field or in pharmaceuticals. We know there is potential in the GCC countries, especially for export-oriented industries either petroleum based or with a high energy content," comments Dr. Khaled. "But you can't just press a button and say 'Hey, presto' and get a new industry, it is just not like that anymore."

Of the 72 projects, 14 are under active consideration (a good percentage, according to GIC) and represent roughly a $3-billion investment. Three of the biggest projects are part of the Saudi Arabia offset deal with the United States. They are an aircraft modification center near the King Khaled International Airport in Riyadh, an aero engine overhaul facility at the same airport, and a possible electronics operation. Dr. Khaled also expects to go ahead in May or June with a wire-drawing project at Jubail, also in Saudi Arabia.

GIC's work over the past two years has also been one of self-education as well as a

Dr. Khaled Al Fayez, chief executive of Gulf Investment Corporation.

critical analysis of Gulf industrialization in general. Dr. Khaled is determined that GIC should not create any more white elephants, of which there are already several in the Gulf.

"We have spent a lot of time knocking on doors, visiting ministries, going to companies, looking at their existing problems, their marketing, finance and general policies. We have to find out whether there is too much of one thing or not enough of another, whether, say, cement is or is not being dumped from a particular country. All kinds of questions arise to which we must try to find the answers before we can agree to a new project," argues D. Khaled, whose maxim seems to be: "Make haste — slowly."

ADVERTISING SECTION

Constructive Thinking

"In this country you can do almost anything — if you have the money. So why not put a dome over Kuwait and air-condition the whole city?" asks one expatriate construction expert. And why not indeed. Look around Kuwait today and you can see more construction work underway, or recently completed, than almost anywhere else in Arabia.

There is the new $56-million building for Al Ahali Bank, the $90-million Plaza shopping center, the huge Safat Square rebuilding project in the city center, and scores of other new office blocks, hospitals, road works and coastal improvement projects. Most recently a $346-million conference center was completed for the January Islamic summit.

Apparently, Kuwait is not too short of funds when it comes to construction. The last year has seen a massive tidying-up operation in the city and its surroundings spurred on partly by preparations for the summit conference at which Kuwait played host to all the Islamic world.

One company which has been getting a large slice of the construction cake is the 100-year-old Mohamed Abdulmohsin Kharafi international contracting and trading group. That the company should be a century old is impressive in itself; that it has not suffered unduly from the overall recession is also notable. One of the group's major strengths, as with other successful Kuwaiti groups, is its diversification strategy. Just over half its $500 million turnover is from actual contracting; the rest is derived from an assortment of services which include fast-food outlets, building material supplies, fishing, timber and a newspaper. It also has the agency representation for around 50 international companies ranging from hospital equipment suppliers in Switzerland to a desalination plant manufacturer in Brazil.

Diversification is very much the name of the game, yet Mohamed A. Kharafi, founder of the company as well as chairman of the National Bank Kuwait and vice-chairman of the Kuwait Chamber of Commerce, has never lost sight of the main thrust of the group's operations: the construction sector. His first three sons — Jassim, Nasser and Fawzi — are all closely involved in the group's operations.

Mohamed M. Rasheed, business development manager, believes that the early beginnings of the construction side of the company 30 years ago reflect very much the story and development of Kuwait itself. "We began by building the basic roads in Kuwait and also moved into Saudi Arabia and Abu Dhabi. Then we started off with more specialized buildings such as hospitals and later created a factories division that manufactured steel structures and other equipment for buildings," says Mr. Mohamed Rasheed.

The catalog of works carried out in Kuwait include the $90-million seven-tower complex forming the Al-Muthanna commercial and residential complex (Plaza Center), the $39-million Kuwait Fund Building extension, the $67-million Kuwait University housing complex, and the $75-million, 520-bed Farwaniya and Al-Jahra Hospital.

During the last ten years, the group has completed more than $600 million worth of building projects in Kuwait alone, plus another $300 million worth of roads, pipelines and drainage works. In addition, it has about $70 million worth of operation and preventive maintenance contracts for hospitals. All this is apart from more than $856 million worth of completed contracts outside Kuwait, some as far afield as Kenya. Most non-Kuwaiti construction jobs have been in the United Arab Emirates and Saudi Arabia, where Kharafi has concentrated to a large extent on road building and drainage projects.

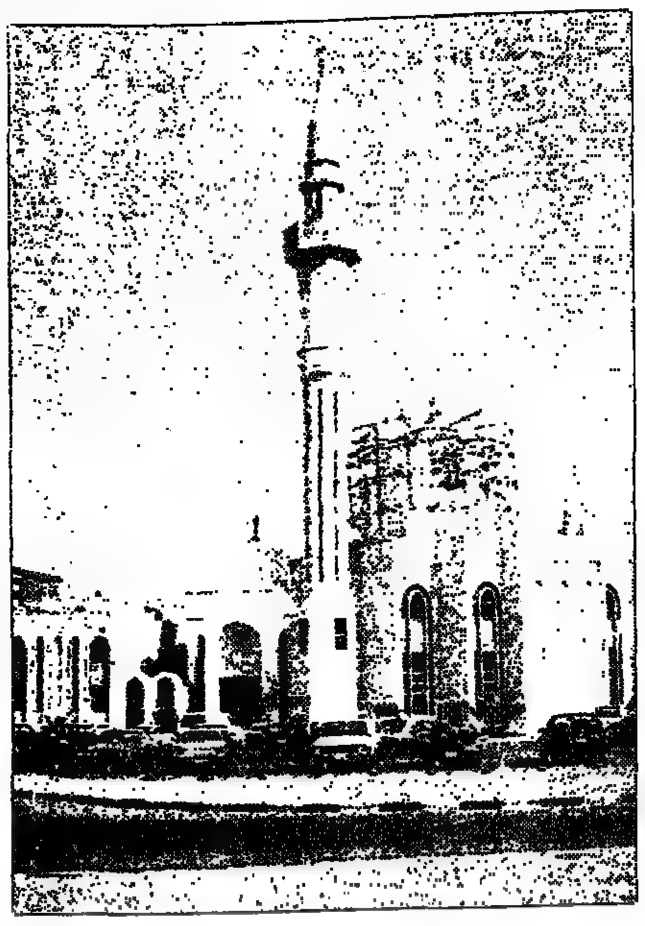
The group recently completed a $42-million road-building program in Abu Dhabi prior to last fall's Gulf Cooperation Council summit meeting. Next year Kharafi is expecting to complete a $37-million project at the Yemen University Faculty of Medicine in Sa'ana.

Looking to the future, Mr. Mohamed Rasheed sees the group becoming closely involved in a big civil housing project recently launched in Kuwait. More than 25,000 units are planned over the next five years to provide new accommodation for Kuwaitis.

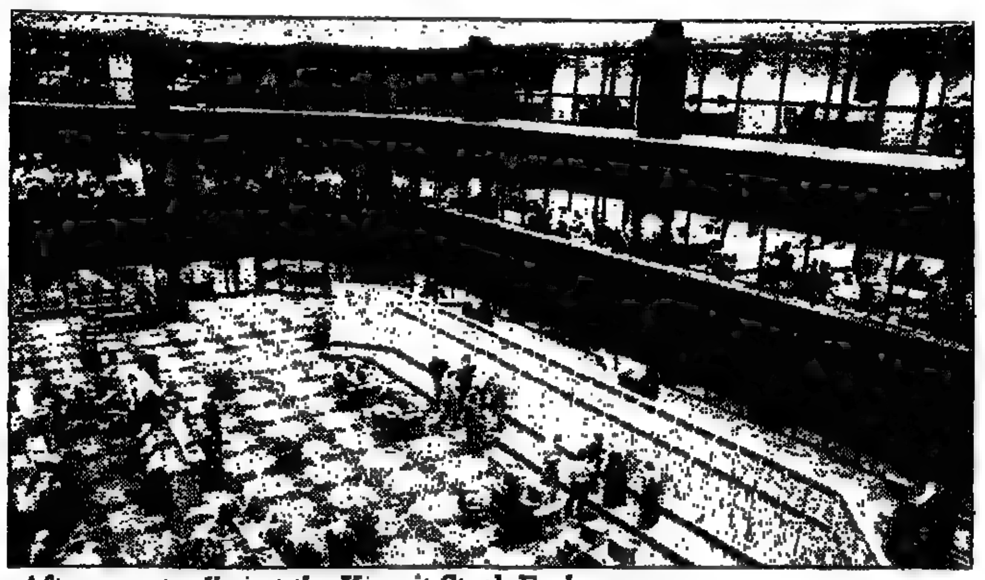
So far Kharafi has been awarded a contract for a 250-unit residential complex (complete with two-story villas, a shopping center and a mosque) worth nearly $40 million.

Refurbishment and operational maintenance contracts are also becoming big business and Kharafi has been successful in securing a number of contracts for Kuwaiti hospitals. Most contractors, particularly those in other Arab countries, who have seen much of their business dry up, see maintenance as an essential lifeline for the future. In general it is estimated that one-fifth of the original capital cost of any building has to be spent annually after the first five years.

Kharafi has succeeded in carving out a special niche for itself with its road building and hospital construction and maintenance expertise. It is also rather proud of the fact that it was the first Kuwaiti company to introduce fast foods — Kentucky Fried Chicken, Wimpy and Hardee's.



One of the many new mosques being built in Kuwait City center.



Afternoon trading at the Kuwait Stock Exchange.

Playing the Kuwait Stock Exchange

When the four o'clock bell rings, the afternoon session begins on the trading floor of the new Stock Exchange. From the gallery above, binoculars are raised to focus on the big board below in front of the 16 brokers desks. An illuminated rolling screen carries the latest world business news in one corner. Traders gather in small groups. Suddenly there's a rush forward and robed Arab figures scramble to the big board chalking up bids and offers. The activity gets more hectic as it is learned that the government has decided to support one of the quoted investment companies. In a frenzy of buying, one jobber mistakenly chalks up a bid of 300,000 units instead of 30,000. The mistake is realized and a ripple of smiles spreads through the gathering around one particular broker's desk.

This is the face of Kuwait's two-year-old Stock Exchange. It is ordered and relatively sophisticated. Traders hope that when everyone has forgotten the disastrous crash of the parallel market, Kuwait may re-emerge as the Gulf's premier trading center. Fifty-one companies are listed on the official market and 19 on the secondary parallel market. The latter consists of non-Kuwaiti Gulf companies which have now been admitted after a period of suspension early last year. However, there are seven non-Kuwaiti companies quoted on the official market, which accounts for 74 percent of daily trading. Last December, the all-share turnover averaged KD 2.13 million ($7.69 million), up 177 percent in 12 months.

The Trend Toward Securities

One direct result of the problems which have arisen since 1982 is that the investment groups have had to sharpen their wits and become much more internationally oriented.

The investment groups known as the three "K's" are Kuwait Investment Company (KIC), Kuwait International Investment Company (KIIC) and Kuwait Foreign Trading Contracting and Investment Company (KFTCIC). KIC, the youngest, is now going through a major policy change.

As for KIIC, it in particular has turned away from the domestic market and shifted its resources towards the international scene. It has tried to avoid long-term commitments and has dropped out of the syndication market but increased activity in the stock, bond and foreign exchange markets. During 1986 it boosted its involvement in the primary market and managed 30 new issues totaling more than $3 billion, slightly more than in 1985. The company's direct investments overseas include holdings in real-estate companies in the U.S. and Europe, banks and investment houses in Bahrain, Brazil, Luxembourg, London and Jordan, and a roll-on roll-off shipping company registered in Liberia.

KIIC is now looking for greater flexibility and is trying to straighten out the "imbalance" in its balance sheet by reducing equity participation. "Traditionally, we have always been in a cash market, which limits our needs and our actions," comments Mr. Imad Moosa, manager of the economic research department and one of Kuwait's brightest and more innovative economists.

Faced with volatile international financial markets, Mr. Moosa concluded that there had to be a change from long-term investment to day-to-day trading. This strategy has already led to an expansion in the dealing-room staff as KIIC goes into securities in a big way. "We have to become more flexible and innovative," stresses Mr. Moosa, who has adopted a healthy scientific approach to making money for KIIC.

"Today we're in the age of trading securities and we're developing methods here, for instance, of minutely measuring cross rates between two currencies, information which should give us an edge when we trade," explains Mr. Moosa, brandishing a sheaf of charts and notes from his latest computer model. "Here, look at this," he exclaims. "X marks the spot on this line telling us which U.S. Treasury notes we should buy."

The name of the game is to look for price anomalies and Mr. Moosa's computer model apparently tells him which notes are overpriced and which are underpriced and should be bought. He has also developed similiar models for the bond market, models which provide information on the optimum cost yet which give a regular, predetermined cash flow.

KFTCIC as well is moving into securities, an orientation that follows a rationalization of staff and certain other activities, all of which are currently being reviewed. "Our profit centers have got to becom real profit centers," says Mr. Yousef E. Al Hassawi, assistant excutive vice president of banking. Like KIIC, Mr. Yousef is not going in for long-term projects. He says: "We want quicker returns and we are not going to get involved in so many start-ups."

Mr. Yousef says that KFTCIC, which had assets of KD 754 million ($2.7 billion) at the end of 1985, is not so concerned with the size of the balance sheet, which shrank by about ten percent during 1986. "We are more worried about profitability and so we are concentrating more on fee-earning services," he says, explaining the present trend towards portfolio management. More than KD 1.4 billion ($5.1 billion) in funds are now under KFTCIC's management and new Kuwaiti clients as well as other Arabs are putting their faith in KFTCIC's new managers.

KFTCIC is expanding its investment and money-market operations, taking on financial specialists and training Kuwaitis. "On the securities side we have trained several young Kuwaitis in the last three or four years on whom we now depend. We also have some portfolio managers and dealers," says Mr. Yousef.

The Al Mulla Group of Companies

Professionalism and Diversification

The words, "professionalism and diversification," perhaps best describe the success of the Al Mulla Group, whose activities range from contract cleaning to being one of the leading auto agencies in Kuwait. In spite of one of the most serious recessions faced by the Middle East region resulting in a fall in new retail car sales (Al Mulla includes agencies for Chrysler and Mitsubishi), overall group profits were up 26 percent last year.

"We had the foresight to buy Japanese yen some time back. So when the Yen went up, we were able to keep our costs down," says Mr. A. Narenthiran, director and divisional general manager. Al Mulla also saw the current economic recession in the Gulf coming as long ago as 1980 when it decided on an early review of all its commercial activities.

"We set up a special committee to examine all our costings. We began to reduce our staff (it was cut by 16%) and introduced greater efficiency into our management and services," explains Mr. Narenthiran, who refutes the view that Kuwait is all "doom and gloom."

With an annual profit of more than $140 million, Al Mulla, which also sells cranes, trucks, and domestic appliances and runs a travel agency, an insurance company, a project engineering division and various services including an expanding car rental business, has been able to hold its market position through sound management. Its success has also been due to the fact that, as part of the group's overall philosophy instilled by its chairman, Mr. Najeeb Abdulla Al Mulla, it has always believed in diversification and, most importantly, in keeping the customer happy.

In addition, as Mr. Dayal Mirchandani, deputy managing director explains, Al Mulla has been highly innovative in its management approach.

"Every one of our 45 managers has his own profit center and is entirely responsible for its success. He must above all keep the customer happy, keep his costs down and his profits up."

And to encourage the managers to follow this strategy, a highly lucrative bonus system is paid to the managers who reach performance targets. The lucky ones get a top bonus equivalent to one year's salary. Last year 11 managers qualified. Those whose turnover is less than 80 percent of the previous year get nothing — a rare event in the Al Mulla group, which last year paid a bonus of some kind to every employee. It now has a staff of about 2,500.

"I think we were probably the only company in Kuwait to do such a thing," says Mr. Narenthiran. And apart from following company guidelines, every manager is in effect his own boss.

To some extent the running of Al Mulla is an experiment in social democracy. Regular weekly meetings are held between the managers and board directors but, as Mr. Mirchandani tries to explain: "There are no 'bosses' at these meetings." Only consensus opinion and decision-making prevail. When the company does well, everyone benefits.

Al Mulla, since its original creation as a partnership between two traders in 1938, has always been innovative with regard to management techniques, credit control, and the implementation of new ideas.

For instance, it was one of the first companies in the Middle East to pioneer chartering its own vessels for bulk deliveries from the United States of motor vehicles, which come in shiploads of 3,000 units. It also uses massive car transporters (each can carry up to eight large cars) for regional distribution from the dockside to the stock pound or showroom. Keeping costs down is always uppermost in management's mind.

When new-car sales slumped during the early days of the Gulf recession, Al Mulla went into the used-car and rental market.

"We now have a rental fleet of 1,200 vehicles, 600 of which are on lease, and 600 on a spot-rental basis," says Mr. Narenthiran. The new rental cars are put on the used-car market after one year's use.

Al Mulla believes firmly in a captive customer market and goes to great lengths to ensure not only that the customer is kept happy, by providing all kinds of incentives, but also that he remains an active Al Mulla customer as well.

At any time Al Mulla may be running a variety of promotional and marketing ploys, from sweepstakes to other kinds of draws and competitions. Top-value prizes range from as much as $200,000 to a free car or 4 x 4, or a whole range of consumer goods including fridges and cookers.

Vehicles are sold on installments through Al Mulla's own finance company and insured through the group's insurance company. It has one of the biggest and most efficient auto service facilities for repairs in Kuwait, where the accident rate is officially one of the highest in the world. To soften the blow, Al Mulla will provide a free car for up to 15 days if one of its customers is unlucky enough to have his car damaged in an accident.

The Al Rai air-conditioned workshop facility which can accommodate 115 vehicles at any one time, is not only the biggest of its kind in the Middle East but believed to be the largest privately owned repair shop in the world.

The group has also tuned its credit control and debt collection to a fine art. Soft-spoken ladies are employed to follow up on customers who may be a little slow with their monthly payments. An elaborate computerized accounts system is the heart of Al Mulla's financial control.

In addition to such attention to detail, Al Mulla has kept a close eye on market trends, another reason for its profitable survival. When it predicted a downturn in the car market — in one year sales dropped by half to less than 2,500 units — it looked at totally new avenues of business.

Contract cleaning, building maintenance and services proved to be a fruitful area. Back in 1980, Al Mulla was the first to get a municipal cleaning contract. Although it now has other competitors in this growth area, the business is still buoyant.

Recently, Al Mulla completed the contract to provide and install $10 million worth of central air-conditioning, fire-fighting and plumbing equipment and services for the Islamic Conference Centre, where the recent Islamic Summit was held. Soon it hopes to go ahead with a substantial contract to provide and install similar equipment for the Kuwait Communications Tower project, which will be the fourth tallest building in the world when completed.

Al Mulla relies on its natural professionalism not only for its survival but also for its expansion. Its expertise in all fields of management, sales, finance and marketing research would put many a large Western company to shame. It also believes firmly in rewards for effort and loyalty from its staff, many of whom have joined from school and are today's managers.

Although in essence a family firm — four Al Mulla brothers are directors, it also has a multinational committee of seven directors (one has been with the group since 1952), which gives it added strength and the power, if necessary, to outvote the family! But, tactful to the last, the firm will not say if this has ever actually happened.

Hotel Highlights

Werner Knechtli, manager of SAS Hotel, Kuwait.

"Location, location, location is what matters most for a hotel." That is the guiding thought attributed to Conrad Hilton. "But it is not the only thing," points out Mr. Andreas Mattmuller, general manager of the Meridien, one of the best-placed hotels in Kuwait. "We are mainly here for the businessman, so we try to provide the kind of service which traveling businessmen come to expect, and it is service which counts just as much as location," comments Mr. Mattmuller. The Meridien, a ten-minute walk from the gold souk and only a few minutes more from the joint banking center, is one of the half-a-dozen top-class hotels now competing fiercely for customers. Visitors face an enviable choice of room rates, location, services and a variety of leisure facilities (health clubs, tennis and squash, to name a few).

The Meridien, whose unusual roof-top swimming pool provides one of the best views of Kuwait's expanding city center, has 377 rooms and a staff of 332, which enables it to offer a high standard of service. Its business development center operates until 11 p.m. (telex and fax messages can be sent throughout the night if required).

Mr. Mattmuller will also help to provide his guests with a variety of business contacts in both the public and private sector, an especially useful service for first-time visitors. The hotel will also provide a car service to take guests to business appointments.

About fifteen minutes by car from the banking center is the lively SAS hotel, where Mr. Werner Knechtli tries harder than most to make the best out of his location on the beachside. SAS has just refurbished the whole of one floor as a Royal Club for businessmen. For the cost of a few dollars extra on the normal room rate, the businessman gets a larger room tastefully furnished with much of the latest gadgetry.

To overcome the problem of being away from the action in Safat, Mr. Knechtli has innovated by establishing the SAS City Lounge in a building just behind the joint banking center. Here all the usual business services are available and it is a place where the businessman can come and relax, or work, in between meetings in the business area of the city. An hourly car service from the hotel will drop or pick up the businessman from the SAS lounge. Some local bankers are hoping that SAS will also provide a catering service at the lounge for business lunches.

One of the big attractions of SAS, which has two sports club facilities and a huge tent for entertaining or holding conferences, is the Boom restaurant — a 450-ton sailing vessel lying resplendent in a special dock. With its oiled teak interior, polished brasswork and manilla ropework, it offers diners a degree of character and intimacy hard to find elsewhere in Kuwait. There is a fixed price meal at KD 10 ($36). Orders are written on a postcard given to diners on arrival. Part of the card is torn off and kept by the waiter, who will then post the rest of the card after you have written your message and someone's address on it — a nice touch. A smaller Boom restaurant can be chartered for meals afloat while sailing offshore.

"Only fresh food" is the big selling point for the Regency Palace Hotel, the first Kuwait hotel to become a member of the prestigious Leading Hotels of the World reservation group. The hotel was formely managed by the Hyatt International until 1985. Its owners have now put in their own team, headed by a Finn, Mr. Sam-Erik Ruttman, executive resident manager, whose staff of 400 looks after 245 rooms.

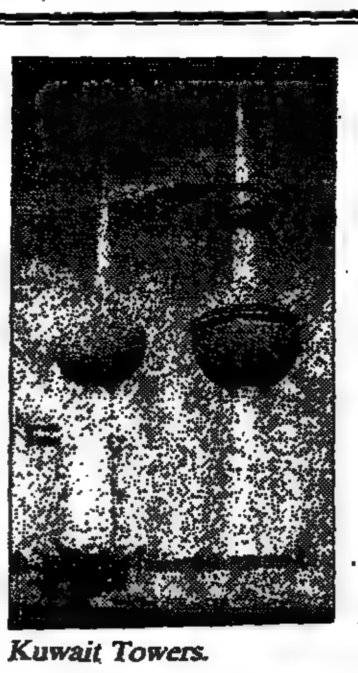
Mr. Ruttman has made quite an impact with Kuwait's "foodies" by insisting on only using and serving fresh food. "We have no canned foods, no convenience foods, only fresh meat, vegetables and fruit," says Mr. Ruttman. His brigade of 60 chefs is headed by Mr. Daniel Le Clerc, who has recently come from Lyons, France. Every Thursday fresh fish, oysters, mussels and lobsters are flown in from France.

One of the newest hotels is the Plaza, which lies just across the street from the Meridien in the new $90-million Al-Muthanna complex of shops, restaurants and apartments. The Spanish-owned Plaza offers very reasonably priced accommodation in the center of Kuwait and is said to have an excellent Moroccan restaurant.

About fifteen minutes by foot from the center is the long-established Sheraton, used by many visiting delegations and government officials for entertaining their guests. Other hotels in Kuwait include the Hilton, Marriott, Holiday Inn and Frontel. Prices fall in the KD 15-35 ($54-$126) range, including tax and service, but all room rates are open to negotiation as hotel occupancy is now only around 40 percent.

Many of the leading hotels are currently offering to help sponsor bonafide businessmen for entry permits into Kuwait. This service, which is becoming more widespread, is very helpful for those with limited contacts. A telex giving relevant details to the hotel manager two weeks before the intended visit is all that is necessary.

One of the biggest projects underway in Kuwait at present is the $137-million beach resort development and the $67-million Khiran holiday village and marina, now a popular weekend destination for residents. Khiran, which is about 100 kilometers (62 miles) by road from Kuwait city, is a complete tourist village with accommodation for more than 1,000 guests in chalets and apartments. It is being developed by the state-financed Touristic Enterprises Company and managed by Safat Hotels Company. With its marina, sports fields, swimming pool and shops, Khiran is unique in the Gulf.



Kuwait Towers.

Kuwait itself has just about everything to offer in the way of leisure facilities, from beach sports — windsurfing, sailing and swimming — to bowling, iceskating, riding, camel and horse racing, as well as an incredible entertainment city in Doha modeled after Disneyland.

Expatriates living in Kuwait believe it is one of the finest places to work in because it has something for everyone when it comes to leisure pursuits.

Profit in the Air

While many Arab airlines are in the doldrums, Kuwait Airways Corporation, through shrewd management and investment in manpower resources, has managed to make a profit five years in a row. Mr. Ahmad F. Al-Zabin, director general, outlines the company's strategy since its early pioneering days.

A tent with a wireless, a few hundred yards of desert sand cleared of rocks and scrub and a twin-engined Dakota were all that the company, later to become part of Kuwait Airways Corporation, had to its name when it took to the skies in the late 1940s. Today KAC has some of the most modern fuel-efficient jets in the Arab world, including eight Airbus A310s and A300-600s backed up by revamped airport services, a fully computerized automatic booking and reservation system which can handle five million passengers — and five years of sustained profits.

Last year KAC carried 1.6 million passengers with a seat-load factor averaging 61 percent in spite of the economic downturn and regional hostilities, which have cut some of KAC's more lucrative routes.

Like the modern state of Kuwait itself, the national airline has kept abreast of developments since the early 1930s when a British Imperial Airways Handley Page Hermes touched down on a desert strip now known as the city's Green Belt Garden. The Hermes was the first aircraft to land in the emirate. From then on aviation services developed slowly, spurred on only by the search for oil. By 1948 a more permanent airstrip cleared on land at Nuzha and an old corrugated-iron roofed shed served as the terminal, with wireless control from a tent alongside.

A few weeks ago, as part of its continuing modernization of the airport, Kuwait opened one of the most modern airport control towers in the Gulf. The huge slender tower was built by a local contractor, Mohamed Abdulmohsin Kharafi, who also constructed a new $3 million VIP lounge.

KAC has come a long way since two local businessmen, Ahmad Suod Al-Khaled and Nisif Yousef Al-Nisf, sat down for coffee one morning in February, 1953 and decided that Kuwait had to have its own airline. Until then, the only air transport was operated by Kuwait Oil Company (KOC). Its assorted fleet of planes included DC-3s, twin Pioneers and Viscounts. These were used to fly oil field personnel and equipment mainly between Kuwait and India.

Just over a year after that 'coffee-in-the-morning' decision to start an airline, Kuwait Airways Corporation officially took to the air with one of KOC's DC-3s named "Kazima," which had been used extensively for oil prospecting. The first operational route was a thrice-weekly service to Basra in Iraq.

That first flight on May 17, 1954 put Kuwait on the world aviation map and reinforced its position as a vital stopover and refueling point for international flights between Europe and Asia. Good communications were to prove an important element in Kuwait's development as the leading oil producer and growing financial center of Arabia in the 1960s. Today KAC is one of the few Arab airlines to have survived the sometimes turbulent economic ups and downs in the Gulf and has actually been making a profit. Says Mr. Ahmad F. Al-Zabin, KAC's director-general: "The region has been through a very difficult political and economic situation, yet we are coping and we made a nominal profit of around KD 150,000 ($541,000) in 1985/86, which at least covers our costs."

Although Mr. Al-Zabin is less certain about predicting the future, especially in the aviation business, he has no qualms about the company's policy over past years. "We have been investing heavily in staff to cope with our present and future developments," says Mr. Al-Zabin. These changes have included a major upgrading of passenger facilities and services, new fleet acquisitions (including the Airbus), the introduction of the premier "Oasis" class for businessmen, and intensive staff training. He adds: "We have begun a lot of new programs, most of which were planned some ten years ago. These have now reached their final stages. We have just got our new offices, our automated reservation system, and other new equipment."

Mr. Al-Zabin points out that, through the planning policy, the company has been able to develop what he believes is KAC's most important resource — "the employee factor." "It is no use having masses of equipment and high-tech material, new planes and millions of KDs being spent if we can't get any of the stuff to work."

Perhaps one of the best proofs of the wisdom of KAC's policy is that 96 percent of deck crews are Kuwaiti nationals, one of the highest proportions of Arab nationals on any Middle East airline.

KAC has been able to meet costs by rationalization and careful pruning and reorganization of support services. Ground handling and catering, for instance, are now looked after by Kuwait Aviation Services Company (KASCO), a subsidiary operation of KAC with its own board. This reorganization has enabled KAC to add new routes such as the recently opened one to Luxor in Egypt. KAC is now looking at the possibility of a service to Tokyo which would give the airline more than 40 direct destinations.

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Herald Tribune
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BUSINESS/FINANCE
MONDAY, MARCH 23, 1987

EUROBONDS

Morgan's Wizardry Turns Perpetual Dross Into Gold

By CARL GEWIRTZ
International Herald Tribune

PARIS — My grandmother, who never ceased lamenting my inability to turn garbage into gold, would adore Morgan Guaranty Trust. Its London merchant bank last week transformed junk paper into high-grade investments.

There was no mysterious alchemy, just some complicated swaps, which bankers prefer to call financial engineering, turning untradable perpetual floating-rate notes into tradable dated FRNs and speculative zero-coupon bonds.

What needs to be emphasized from the outset is that the engineering is not designed to be a miraculous cure restoring the $18 billion market of perpetual floating-rate notes to what it was before it started to crash late last year.

The aim is to transform untradable paper into synthetic instruments that do trade.

The belated realization by market participants that perpetuals have no objective value other than what investors are willing to pay for them remains unchanged.

A year ago, perpetuals offered to yield ¼ percentage point, or 25 basis points, over the London interbank offered rate were gobbled up. At that time, dated FRNs were selling at 12 basis points below the bid rate, which itself is normally 12½ basis points below the offered rate.

Today, with dated FRNs yielding more than 30 basis points over Libor, perpetuals simply do not trade. Prices have stopped falling, leveling off at discounts of 12 to 15 percent from issue price, only because most market makers have withdrawn from business.

Morgan's aim is to transform untradable paper into synthetic instruments that do trade. By doing so, it removes the overhang of paper from the market, perhaps laying the ground for prices to recover once less perpetual paper is waiting to be unloaded by disgruntled investors.

The engineering is designed to separate the floating-rate note from the perpetual aspect. It is the timeless element of the paper that is impossible to value, and therefore the most speculative element.

TO ACHIEVE that, Morgan created a company called Pacific Securities Ltd. It is issuing $130 million of 15-year floating-rate notes and $130 million of 15-year, highly speculative zero-coupon bonds. The zeroes are being issued at 18½ percent of face value (actually 20 percent if Morgan's commissions are included), meaning it costs $185 to buy paper nominally valued at $1,000.

PSL will thus raise $130 million from the sale of the FRN and $24 million (18½ percent of 130) from the sale of the zero-coupon bonds. The bulk of this $154 million will be used to finance the purchase of perpetuals having a face value of $130 million issued by Westpac, the Australian bank, last year.

Those perpetuals will be bought at 88 percent of face value, or $880 for each security nominally valued at $1,000. The price paid to buy these perpetuals thus amounts to $114 million (the number is rounded for simplicity). The remaining $40 million of the money raised by PSL will be deposited with Westpac for 15 years.

At maturity, Westpac will repay $130 million. During the 15 years it will have paid very little interest on this deposit — 35 basis points, or $450,000 per year. This, coupled with the additional $90 million it will pay out at maturity, is equivalent to the *bank having paid an annual rate of interest of 8.3 percent on the* initial deposit.

The deposit will be used to redeem the FRN issued by PSL, making that paper a highly secure instrument. Many FRNs are subordinated debt, ranking the paper low down the list in case of liquidation. But PSL's 15-year FRN is secured by a deposit at the bank and thus is a senior obligation of Westpac, a highly regarded bank whose long-term debt is rated double-A.

The annual interest PSL will pay on its FRN is 50 basis points over Libor, comprised of the 15 basis points over Libor received on the Westpac perpetual and the additional 35 basis points received on the deposit with Westpac, a generous return, on the face of it.

Traditionally, dated bank-issued FRNs never paid investors more than 25 basis points over Libor. Now that the malaise in the perpetual market has spilled over into the dated paper sector, dated FRN prices have fallen and effective yields have risen. Long-term dated FRNs of U.S. banks such as Citicorp and Chase Manhattan can currently be bought in the secondary market at discounts to yield around 35 basis points over Libor.

PSL is paying 50 basis points because there remains a greater element of risk. The major part of the cash flow needed to service the PSL floater comes from the interest received on the Westpac perpetual. The catch on all perpetuals — the element that makes the paper more like an equity than debt — is that interest can be

See EUROBONDS, Page 19

U.S. Puts Off IADB Demands

Seeks Veto Power Over Latin Loans

Compiled by Our Staff From Dispatches

MIAMI — The United States and major Latin American nations have agreed to set aside sharp differences over control of the Inter-American Development Bank for now and reconsider the issue this summer, bank officials said.

The bank's policy-making board, meeting over the weekend before the IADB annual meeting this week, put off any decisions when it became apparent that differences between Washington and the Latin countries remained too great.

Bank officials said Saturday, however, that Washington had *hinted that it might be prepared to* compromise on its demand for a near-unilateral American veto over loans made by the IADB. The bank dispenses $3 billion a year in Latin America and the Caribbean.

The United States wants to make the bank part of its controversial strategy to resolve the world debt crisis. The U.S. plan calls for loans from multilateral banks such as the IADB to be tied to economic reforms that would promote open markets, reduce government intervention and enhance inflation-free growth in debtor nations.

Brazil, which has declared a moratorium on interest payments on much of its $109 foreign debt, is leading a challenge to Washington's strategy. U.S. officials have grown more leery of taking actions that might widen already-deep rifts with Third World nations.

The bank lends funds provided mostly by industrial countries to poorer countries to help develop their economies. The United States

See IADB, Page 17

Lee Wexler/The New York Times

J. Peter Grace, second from left, surrounded by the three vice chairmen who are his possible successors, from left, Paul D. Pagannucci, Terrence D. Daniels and J.P. Bolduc.

Succession at Grace Is a 3-Way Race

But Veteran Chief Shows No Sign of Quitting Soon

By Daniel F. Cuff
New York Times Service

NEW YORK — It is the stuff of business lore: the battle for the executive suite. At W.R. Grace & Co., three men are fighting to be the next chief executive.

But something is askew here. The man they would replace is J. Peter Grace, one of America's best-known businessmen. He has held his job since 1945, longer than any other chief executive at a major company.

Although Mr. Grace set up the three-way race, he reserved the right to keep moving back the finish line, and he speaks like a man who will have to be forcibly removed from his office atop the Grace building on 42d Street in Manhattan.

"I work as hard as anybody here," Mr. Grace, 73, said in a recent interview. He said he would stay on "as long as I'm able to work 90 hours a week."

"I would never stay if I wasn't able to contribute," he said.

Thus analysts have a jaded view of the succession at Grace. Mr. Grace has already outlasted one generation of successors, they note. Some even think that choosing a new set of young pretenders gives him a bit more purchase on his seat.

Setting up the competition "probably means Grace plans to stay," said John Henry, an analyst at E.F. Hutton. "This to me is just a placebo for the board and management."

Mr. Grace said he got the idea for the competition in part from Citicorp, where he has long been a director. But the contest at Grace has not developed the intensity of Citicorp's because that company had a defined finish line: Walter B. Wriston said he would retire in 1984 at age 65 and one of *three men would replace him.* John S. Reed eventually emerged as the winner over Thomas C. Theobold and Hans H. Angermueller.

The three competitors at Grace are J.P. Bolduc, 47; Terrence D. Daniels, 44, and Paul D. Paganucci, 55. They were elevated to vice chairmen in November with an announcement that Grace was establishing a line of succession.

There is no guarantee that Mr. Grace will pass the baton to any of them. He conceded that events could change, although the current plan is to *choose one of the three.*

"He loves playing people against one another."

See GRACE, Page 17

Sale of Veba Expected to Be Well Received

By Ferdinand Protzman
International Herald Tribune

FRANKFURT — The sale Monday of the government's remaining stake in industrial group Veba AG is expected to be well received by the stock market.

The sale also indicates that the center-right coalition government is pushing ahead with its denationalization plans, despite a currency fraud scandal that may delay the sale of its Volkswagen AG holding.

The 10.1 million Veba shares owned by the government represent 25.55 percent of the company's equity capital. The shares will be priced at 250 Deutsche marks each (about $137), to raise about 2.53 billion DM.

Veba's shares closed at 253.50 DM on the Frankfurt Stock Exchange on Friday, up from 252 DM on Thursday.

When the lead underwriter, Deutsche Bank, announced the *share issue last week, it said Veba's* annual dividend for 1987 would be at the same level as in 1986, when the company paid 10 DM a share.

The government began reducing its Veba holding in 1965. It further *reduced its stake in 1984 and 1985.* Monday's sale will complete the denationalization.

Veba, a sprawling energy and chemicals concern, and Volkswagen, the giant automaker, are considered the most attractive of the government's industrial holdings to be sold this year, according to stock analysis.

But Finance Minister Gerhard Stoltenberg said last week that the sale of the government's Volkswagen stake may be delayed because of the currency fraud scandal, which could leave the automaker with a loss of 480 million DM.

There had been speculation that the Veba offering would be delayed as a safeguard against negative publicity from the currency fraud.

But Mr. Stoltenberg said the problem at Volkswagen "has nothing to do" with the Veba sale.

Market observers generally agreed with Mr. Stoltenberg's assessment, and have made Veba a nearly unanimous buy recommendation.

"*Veba is new to our list of buys,*" said Michael Zapf, managing director of the Bank in Liechtenstein in Frankfurt. "We are expecting a further improvement in earnings in 1987, largely attributable to the electric power production and oil divisions."

In 1986, Veba's group profit climbed 29 percent to 992 million DM from 767 million DM the previous year. The sharp rise contrasted with a 17 percent drop in group sales to 40.17 billion DM, from 48.6 billion DM in 1985.

The company said the lower sales were partly due to the sale of its fertilizer unit in mid-1985, which distorted the year-on-year sales comparison, and the ending of crude-oil trading with small profit margins.

Veba's utility, chemical and trading divisions posted strong earnings gains in 1986, and analysts see that trend continuing in 1987. The company's earnings also received a boost from oil stock write-downs during 1986, they added.

The collapse of global crude oil prices lowered sales and earnings at the company's oil division in 1986. At the same time, however, the steep decline in the price of crude oil resulted in sharply lower costs and much higher profits for Veba's utility division.

Huels AG, Veba's chemical division, also had a windfall from lower prices for crude oil, its primary raw material. Although Veba does not release profit figures for its divisions, analysts said Huels is believed to have recorded strong earnings gains in 1986, outperforming much larger rivals.

Veba's oil and petrochemicals division sales fell 38 percent to 9.16 billion DM in 1986, from 14.86 billion DM in 1985.

Investment Is Slow, but Signs Grow of Philippines Recovery

By Nicholas D. Kristof
New York Times Service

MANILA — After three years of painful and destabilizing recession, the Philippine economy is showing signs of recovery, perhaps even an impending boom.

So far, it is only a thaw in an economic winter that has cut per capita income by 15 percent and nurtured a Communist insurgency. But economic statistics and anecdotal evidence suggest that the economy turned around late last year, and private and public economists alike forecast a resurgence of growth beginning this year.

"We have finally reversed the economic decline of the last few years," President Corazon C. Aquino said at a press conference this month.

An economic recovery is essential if Mrs. Aquino is to consolidate her fragile authority and keep both the right and the left from gaining support. In a country in which 7 persons out of 10 live below the poverty line, there is a sense here that democracy is on trial.

Philippine and foreign analysts say that the ultimate test is whether this democracy can alleviate the worst poverty in the island group of 56 million people, where per capita income is just $600 per year.

Statistics are often out of date and not entirely reliable, but analysts cite these signs of recovery:

An economic recovery is essential if Mrs. Aquino is to consolidate her fragile authority and keep both the right and the left from gaining support.

- After falling in the first half of 1986, economic output swelled in the fourth quarter, resulting in 0.13 percent growth for the year in gross national product, the country's total output of goods and services. That is well behind the population growth of 2.5 percent per year, but is a welcome reversal from declines in GNP of 3.8 percent in 1985 and 5.6 percent in 1984.
- Inflation dropped from 40 percent two years ago to less than 1 percent over the past year. Interest rates have also fallen sharply, allowing businesses to begin borrowing again.
- Capital flight, which had robbed the Philippines of billions of dollars in recent years, has abruptly stopped. Some of the money may return voluntarily, because of attractive investment opportunities. Some of it may also come back as a result of lawsuits seeking to recover the wealth of the former president, Ferdinand E. Marcos, and his associates.
- The price paid to farmers for copra, or dried coconut meat, has jumped two and a half times in the past year. A coconut monopoly was ended last year, and the money now goes to the farmers. One-third of the population depends directly or indirectly on coconut farming, so the price increase has resulted in a vast infusion of buying power in rural areas.

"The coming boom was already evident in the last quarter," said Bernardo M. Villegas, an economist at the business-financed Center for Research and Communication in Manila.

"Consumer firms were reporting sales increases of 20 percent to 25 percent over a year earlier," he said.

Economists disagree about whether the data portend a modest recovery or a boom. Mr. Villegas, whose economic estimates for 1986 were on the mark, said his calculations suggest a boom. The government forecast of 6 percent economic growth this year is "chicken feed," he said, and growth could amount to 8 percent.

Most economists say they believe growth of 3 percent to 5 percent is more likely for 1987, a still robust gain for an economy that has been shrinking in recent years.

Even after Mr. Marcos fled just over a year ago, the social disorder and possibility of a coup or gains by the insurgents dampened the business climate.

For now, two forces seem to be at work on the economy: government spending and consumer spending. The government is starting massive housing and public works projects, while shoppers seem to be busier than they have been in a while. San Miguel Corp., the nation's largest company, is enjoying sales of beer and other products 25 percent above last year's levels, an official said.

But immense challenges remain, including rising demands by workers. Teachers last year threatened to strike unless they were paid a minimum of $75 a month, although they backed down after being told there was no money to pay them more. Earlier this month, on the island of Negros, 300 farm workers forced their way into their landlord's home to demand more than the 25 cents to 50 cents that they said was their daily pay.

"Hogs are housed better than we are," one of the workers was quoted as saying.

Simply to keep unemployment at

See PHILIPPINES, Page 17

SELECTED U.S.A./O.T.C. QUOTATIONS

	BID	ASK
Bitter Corp.	3¼	3⅝
Chiron	31¼	31¾
GoodMark Foods	14	14¼
MAG Holdings	4⅝	5⅛
NAV-AIR	2⅝	2⅞
Spectradyne	24¼	25¼

WITH COMPLIMENTS OF CONTINENTAL AMERICAN

These are indicative prices as of Mar. 19, 1987

Pact Opens Japan Market to U.S. Fish

By Clyde H. Farnsworth
New York Times Service

WASHINGTON — The United States will eventually sell $300 million more fresh and processed fish a year to Japan under an accord reached by the two governments, according to Clayton K. Yeutter, the U.S. trade representative.

The agreement, reached on Friday, calls for Japan to import more fresh herring and processed pollack products.

Under the pact, U.S.-processed fish will be allowed into Japan without stringent trade barriers for the first time, according to U.S. fishing industry representatives.

The pact comes at a time of rising trade frictions between the two governments.

As fishing is one of Japan's most protected industries, trade officials here cautiously held out hope that the agreement may become a model for liberalizing other food imports, including rigidly controlled beef and citrus.

The pollack accord includes surimi, for which there is a $1 billion market annually in Japan. Surimi is pollack processed into a paste used to make artificial crab legs, scallops, shrimp and other products.

Under the arrangement, Japan will effectively eliminate import barriers on processed pollack and will enlarge the quota system for herring to accommodate all U.S. herring exports.

In return, the United States will drop an unfair trading case brought against Japan last August under the General Agreement on Tariffs and Trade, Mr. Yeutter said.

The trade office projects that the accord will lift U.S. fish exports by $85 million this year, growing to $300 million later in the decade.

The accord was welcomed by the Pacific Seafood Processors Association in Alaska, whose members operate 85 percent of U.S. processing capacity.

Barry D. Collier, the association's president, said, "We feel this is a good faith effort to accommodate our needs in herring and pollack products."

Walter T. Pereyra, president of Profish International, a Seattle-based seafood harvesting and processing company, said the agreement "will help development of the U.S. industry in the North Pacific."

Senator Frank H. Murkowski, a Republican of Alaska, termed the accord "significant," but said that it came "only because we threatened hardball reciprocity."

He was referring to legislation that would have excluded Japanese fish exports so long as American fish was shut out of Japan.

The agreement was concluded in Tokyo just after the Senate voted, 93-0, on a nonbinding resolution *calling for retaliation against Japan* in semiconductors.

Last Week's Markets

All figures are as of close of trading Friday

Stock Indexes

United States	Mar. 20	Mar. 13	Ch'ge
DJ Indus.	2,333.52	2,258.66	+ 3.31 %
DJ Util.	220.12	216.55	+ 1.65 %
DJ Trans.	948.89	935.32	+ 1.45 %
S & P 100	288.22	279.42	+ 3.15 %
S & P 500	298.17	289.89	+ 2.86 %
S & P Ind	341.99	331.33	+ 3.22 %
NYSE Cp	167.37	165.31	+ 1.25 %
Britain			
FTSE 100	2,017.50	2,000.00	+ 0.88 %
FT 30	1,598.90	1,583.90	+ 0.95 %
Japan			
Nikkei 225	21,657.67	21,497.95	+ 0.74 %
West Germany			
Commerzbk	1,644.30	1,711.70	— 4.09 %
Hong Kong			
Hang Seng	2,780.55	2,721.17	+ 2.18 %
World			
MSCIP	426.30	420.80	+ 1.31 %

World Index From Morgan Stanley Capital Int'l.

Money Rates

United States	Mar. 20	Mar. 13
Discount rate	5½	5½
Federal funds rate	6⅛	6 1/16
Prime rate	7½	7½
Japan		
Discount	2½	2½
Call money	3⅝	3⅝
3-month interbank	4	3 15/16
West Germany		
Lombard	5	6
Call money	3.85	3.90
3-month interbank	4.05	4.05
Britain		
Bank base rate	10	10½
Call money	10¼	11
3-month interbank	9 5/16	10

Dollar	Mar. 20	Mar. 13	Ch'ge
Bk Engl Index	103.10	104.10	— 0.97 %
Gold			
London p.m. fix,$	404.45	406.30	— 0.46 %

Currency Rates

Cross Rates — *March 20*

	$	£	D.M.	F.F.	I.L.	Gldr.	B.F.	S.F.	Yen
Amsterdam	2.069	2.396	112.98 *	33.94 *	0.1587 *	—	5.451 *	134.97 *	136.45 y
Brussels(a)	37.9325	60.42	20.718	6.224	2.9125 *	18.34	—	24.748	25.82 *
Frankfurt	1.8305	2.926	—	30.045 *	1.4055 x	88.525 *	4.826 *	119.39 *	1.2085 *
London (b)	1.602	—	2.9368	9.7761	2,087.50	3.3168	60.89	2.4605	242.95
Milan	1,302.50	2,081.50	711.30	213.72	—	629.71	34.335	847.40	8.593
New York(c)	—	0.6233 =	1.828	6.09	1,299.50	2.065	37.86	1.5385	151.375
Paris	6.0965	9.7465	3.3286	—	4.6795 x	2.9466	16.0675 *	3.9745	4.02 *
Tokyo	151.50	241.84	82.70	24.86	11.64 *	73.26	399.74 *	98.07	—
Zurich	1.5347	2.4532	83.77 *	25.15 *	0.1178 *	74.14 *	4.0462 *	—	1.0119 *
1 ECU	1.1336	0.7094	2.0739	6.9092	1,476.50	2.3454	43.0083	1.736	171.874
1 SDR	1.2784	0.7949	2.3255	7.7452	N.Q.	2.6285	48.191	1.9476	192.434

Closings in London and Zurich, fixings in other European centers. New York rates at 4 P.M. (a) Commercial franc (b) Amounts needed to buy one pound (c) Amounts needed to buy one dollar (*) Units of 100 (x) Units of 1,000 (y) Units of 10,000 N.Q.: not quoted; N.A.: not available. (=) To buy one pound: $U.S.1.6045

Other Dollar Values

Currency	per U.S.$	Currency	per U.S.$	Currency	per U.S.$	Currency	per U.S.$
Argen. austral	1.534	Fin. markka	4.494	Mex. peso	1,094.00	S. Kor. won	856.30
Austral. $	1.4578	Greek drac.	134.40	N. Zealand $	1.7778	Soviet ruble	0.6458
Austr. schil.	12.87	Hong Kong $	7.8035	Nig. naira	3.805	Span. peseta	128.15
Belg. fin. fr.	38.34	Indian rupee	12.87	Norw. krone	6.919	Swed. krona	6.3915
Brazil cruz.	21.06	Indo. rupiah	1,643.50	Phil. peso	20.56	Taiwan $	34.43
Canadian $	1.309	Irish £	0.684	Port. escudo	140.70	Thai baht	25.845
Chinese yuan	3.7221	Israeli shek.	1.608	Saudi riyal	3.7495	Turkish lira	773.70
Danish krone	6.8895	Kuwaiti dinar	0.2762	Sing. $	2.144	UAE dirham	3.673
Egypt. pound	1.36	Malay. ring.	2.522	S. Afr. rand	2.0859	Venez. boliv.	22.20

£ Sterling: 1.0778 Irish £

Sources: Indosuez Bank (Brussels); Banca Commerciale Italiana (Milan); Banque Nationale de Paris (Paris); Bank of Tokyo (Tokyo); IMF (SDR); BAII (dinar, riyal, dirham); Gosbank (ruble). Other data from Reuters and AP.

Page 6 MONDAY, MARCH 23, 1987

Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel.: 01-623-1277.
Prices may vary according to market conditions and other factors.

March 20

Dollar Straights

Issuer	Cpn	Mat	Price	Yld Mat	Spd Trsy
Australasia					
Aust Com Bk	12⅞	89	112	7.18	+55
Aust Com Bk	10	93	111	7.79	+71
Australia	11	95	116⅝	8.07	+88
Australia	11½	95	120¼	8.11	+88
Australia	11¼	00	117⅜	8.88	+111
N S Wales Trsy	11¾	90	111⅜	7.31	+66
New Zealand	7¼	89	100⅝	7.05	+51
New Zealand	7¾	90	101½	7.20	+52
New Zealand	7½	91	100	7.48	+65
New Zealand	7⅝	91	100⅝	7.51	+67
New Zealand	8	93	100⅝	7.81	+78
New Zealand	8¼	93	102¼	7.77	+77
New Zealand	10¼	95	110½	8.43	+108
New Zealand	8	97	98½	8.53	+98
New Zealand B	10½	00	113⅜	8.76	+125
Qantas	10⅝	95	113⅜	8.12	+91
Qantas	8⅝	96	103⅝	8.10	+84
Queensland	17⅞	89	110	7.38	+60
Queensland	8	91	101¼	7.63	+81
Queensland	7⅞	92	97⅞	7.38	+92

American Exchange Options

Figures as of close of trading Friday. March 20

Chicago Exchange Options

Figures as of close of trading Friday. March 20

DM Straights

Dollar Zero Coupons

(Continued on Page 19)

GRACE: 3

Triple Wit

ARAB

Consolidated Balance
31 December 1986

GRACE: *3 Vie for Grace Job, but Veteran Chief Shows No Sign of Quitting*

(Continued from first finance page)

said David F. Bartlett, an analyst at Ladenburg, Thalmann & Co.

But, "I think he will stick with one of them," he added.

In opening the competition, Mr. Grace passed over two older candidates, Carl N. Graf, 60, and Charles H. Erhart Jr., 61. Mr. Graf has retired and Mr. Erhart is now chairman of the board's executive committee.

The question of succession became an issue last year, as the company churned through what Mr. Grace called the worst year in his 50 with the company.

Grace's fertilizer, oil and gas businesses all took a pounding because of widespread agricultural problems and the worldwide energy slump. Earlier this month, the company reported a fourth-quarter loss of $559.9 million, largely the result of asset write-downs.

Those troubles followed a decision late in 1985 by the Flick Group of West Germany to sell its 26 percent holding in Grace, after Flick ran into financial problems.

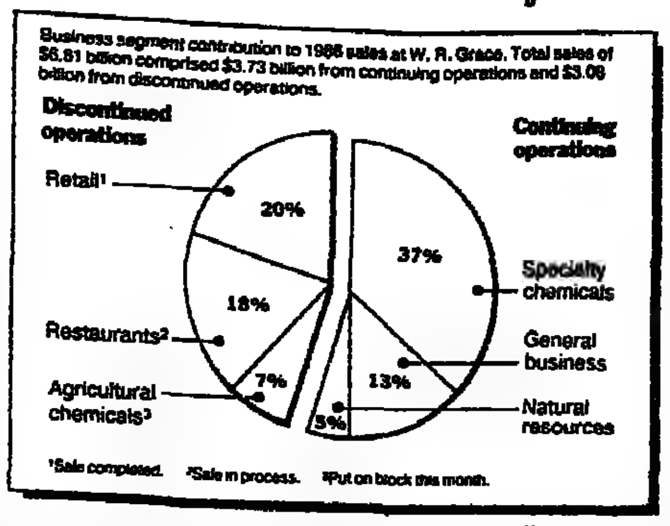
Flick was a friendly investor and its large stake had insulated Grace from takeover attempts.

That left Grace exposed to a possible takeover. Mr. Grace was "running scared," as he now describes it. "Anybody not worried about a takeover is living in a dream world," he said.

Yet at a time of easy financing and tax inducements for takeovers, no offer materialized.

In any event, Mr. Grace mobilized financial resources quickly to buy the Flick stock for $598 million. A major restucturing followed. Grace sold its interest in Herman's Sporting Goods Inc. and the rest of its retail group to pay for the repurchase. The company's restaurant group was sold in a leveraged buyout, with Grace retaining a 47 percent interest.

In addition, the corporate staff was reduced to 500 employees, from 734. Recently, 75 more were laid off. Adding to the sense of swirling activity were the changes in the pecking order of the top executives. And earlier this month, the company said it was putting its battered fertilizer operation on the block as it announced its fourth-quarter write-offs.



The New York Times

Grace had little control over the problems in fertilizers and natural resources. Mr. Grace said the depressions in those industries last year were the worst the company had experienced.

But Grace's overall performance in the 1980s has come in for criticism.

"The stock today is roughly the same price it was in 1981 despite the strong bull market," said James H. Wilbur, an analyst at Smith Barney. "It makes people wonder if they can't do a better job."

Yet Mr. Grace has his admirers. "I think he's a genius," Mr. Bartlett, the Ladenburg analyst, said. "He's created an empire."

Mr. Grace noted that all the machinations of the last year have caused the stock price to rise, from $38 a share the day before the Flick announcement to Friday's close of $62.25. A recent sharp increase blew life into the takeover rumors again, although no potential bidders have been identified.

Many analysts believe Grace is positioned for better days. "The write-offs they took signal to me that this is a vastly different company," Mr. Wilbur said, "and it would not be vastly different if Peter had not embraced the changes.

"This is the first meaningful shift in attitude and philosophy at Grace in a long time."

The company now consists of chemicals, the crippled fertilizer business and energy operations, including contract drilling. Lumped under general businesses, it distributes books and videocassettes, makes chocolate and operates an artificial insemination business for cattle.

"I'm recommending the stock strongly," said Mr. Henry of Hutton. "It's mostly a specialty chemicals company now. It's going to get rid of fertilizer, one of its big drains, and I think it will turn around nicely."

Only one of Mr. Grace's nine children works at the company, in middle management, and is not viewed as a successor to his father. But although the family now owns less than 1 percent of the company stock, Mr. Grace's power is unabated.

The analysts who criticize him "don't know what they're talking about," he said. He dismisses them as ivory-tower people who have not had the experience of creating, and running, an empire.

As for the three executives in line to replace him, they are not available for interviews.

Analysts give the early lead to Mr. Daniels, who joined Grace in 1970. That is because he was given responsibility, among other things, for Grace's crown jewel, specialty chemicals. But that operation, which is doing well despite a broad slowdown in the specialty chemical industry, might not prove enough of a challenge.

Mr. Bolduc's duties include overseeing agricultural chemicals, which is being sold, and the company's general business operations.

In addition, he ran the Washington office of the Grace Commission, the panel established by the Reagan administration to find ways to cut government waste. As commission chairman, Mr. Grace criss-crossed the country to lecture on the bloated budget and burgeoning deficit.

Mr. Paganucci worked for Grace for three years in the 1950s before becoming an investment banker on Wall Street. He was then vice president and treasurer of Dartmouth College, in Hanover, New Hampshire, before returning to Grace last year to head new venture projects and other operations.

But whatever else happens in the contest among the three men, analysts say, Mr. Grace will most likely be sitting in the chief executive's seat for a while more.

Microsoft Makes Its Founder A Billionaire — for a Day

Compiled by Our Staff From Dispatches

REDMOND, Washington — William H. Gates 3d was a stock market billionaire for a day, but the market was unkind to the 31-year-old founder and chairman of Microsoft Corp. on Friday and his stock holdings dropped to just a little over $994 million.

Mr. Gates, whose friends have begun calling him "Billion Dollar Bill" in recent weeks, became the personal computer industry's first billionaire on Thursday, when Microsoft's stock rose to $91.25 a share in over-the-counter trading. That made his approximately 11.02 million shares, 42 percent of the company, worth about $1.005 billion. A year ago, when the stock was offered to the public, his stake was worth $231 million.

But the software company's stock fell $1 a share on Friday, to $90.25. Each time Microsoft's stock price rises or falls a point, Mr. Gates gets $11 million richer or poorer.

Mr. Gates, a Harvard University dropout who founded the company 11 years ago, joins H. Ross Perot, founder of Electronic Data Systems Corp., and David Packard and William Hewlett, co-founders of Hewlett-Packard Co., as high-technology's only billionaires.

Microsoft supplies, among other things, the internal program controlling the basic functions of International Business Machines Inc.'s PC line of personal computers.

Microsoft stock went public on March 13, 1986, at $21 a share and soared to $28 by the end of the first day's trading. The stock value has nearly doubled since the end of 1986. *(AP, UPI)*

IADB: *U.S. Demands Are Delayed*

(Continued from first finance page)

is the biggest contributor, giving 34.5 percent of the bank's capital.

Washington maintains that the bank makes too many bad loans, that it takes insufficient account of economic policies that hurt the ability of nations to repay loans, and that it lends money to U.S. adversaries such as Nicaragua.

As a result, Washington is asking for the right to veto loans or changes in bank policies if its director on the bank board and one other director agree. The bank has 12 directors.

This would all but assure an American veto, because the American director is usually supported by the Canada representative. Currently, loans can be rejected only by a majority vote.

A group of European countries, with Latin support, has proposed instead that a veto be allowed if three directors go along.

Washington had threatened to scuttle a $20 billion to $25 billion, four-year capital replenishment for the bank if the veto issue were not resolved.

IADB officials said Saturday that Washington had hinted at future compromise.

"The U.S. said it remains hopeful they can reach an agreement and expressed optimism that such a consensus could be reached," said an official who asked not to be named. *(Reuters, NYT)*

PHILIPPINES: *Recovery Signs*

(Continued from first finance page)

the present level of 11.8 percent, the economy must create 628,000 jobs this year.

"The real question is when investment in real assets will pick up," a Western diplomat in Manila said. "To get sustained growth, they need investment, which has been slow to get started."

The Philippines anticipated a jump in investment after Mr. Marcos fled. But overall investment fell 15 percent last year, on top of a 21 percent decline in 1985.

One reason is that the economic contraction has resulted in enormous unused capacity at many factories. San Miguel Corp., for example, is operating at only 60 percent of capacity.

"There's a fantastic slack in the economy," said Rolando S. Atienza, president of Anscor Hagedorn Securities in Manila. But he said that increased consumption and government spending would reduce the slack, and lead to renewed investment.

A boom in foreign investment also failed to materialize. For the first nine months of 1986, foreigners invested $137 million in the Philippines, not much more than the $95 million a year earlier.

Signs are emerging that Americans and perhaps Europeans may now invest more.

A group of 27 American business executives toured the country last month and said they found attractive investment opportunities. Two small Californian companies said they had invested more than $26 million in the past few months and might invest hundreds of millions of dollars more.

Meanwhile, government officials are acutely aware that time is running out. Solita Collas-Monsod, the secretary of economic planning, paused for several seconds when she was asked what would happen if the economic did not recover.

"More and more people would go to the hills" to join the insurgency, she said.

"Right now they are giving this government a chance, because they know that it doesn't take just one year to turn the economy around. But they are waiting for their expectations to be fulfilled. We have got to show that our way is successful and that it can work."

Ariadne Seeks San Miguel Stake

Reuters

MANILA — Ariadne Australia Ltd., a diversified investment company, has offered 3.8 billion pesos ($185 million) for 38 million shares in San Miguel Corp., the largest Philippine company, a Manila newspaper said Sunday.

The Sunday Times quoted a letter sent Saturday to President Corazon C. Aquino by Ariadne's chairman, Bruce Judge. He offered the equivalent of 5 percent of the nation's yearly budget to buy the shares.

The shares represent the entire 51 percent block seized by the government on suspicion that the real owner was Eduardo Cojuangco, a close associate Ferdinand E. Marcos.

Triple Witching Hour Seems a Little Less Wicked

By Kenneth N. Gilpin
New York Times Service

NEW YORK — To Wall Street's immense relief, the predictions about the "triple witching hour" came true last week: It was a shadow of its former self.

Most institutions that use stock-index futures in the much-celebrated strategy called index arbitrage liquidated their positions well before the triple witching hour at 4 P.M. on Friday.

Traders and analysts said the early liquidations, which mostly took the form of "rolling" into the June contract, calmed the market so that the huge transactions and sharp price moves synonymous with triple witching hours of the past were absent on Friday.

Indeed, compared with a number of previous witching hours, this Friday's close was so benign that some predicted the problem might be a thing of the past.

"Ding, dong, the witch is dead," said one trader, who asked not to be identified. "Comprehension of how to use these products is evolving, and the procedures for early disclosure are making the whole process much better."

"Arbitrage activity in general has dissipated," said another trader in New York. "The spreads are narrower, and opportunities are limited. For the first time since I have been trading on these days, people did not crescendo their thoughts or concerns around expiration."

Conditions may well be improving, but even on a relatively serene day like Friday, the financial power generated by the simultaneous expiration of stock-index futures, stock-index options and individual stock options was awesome.

The New York Stock Exchange said that 52 million shares, more than $2 billion worth of stock, changed hands in the last minute of trading. The Dow Jones industrial average, up slightly more than 26 points at 3:59, gained nearly 8 points in the final minute to close up 33.95 points.

As on the last two such days, which fall on the third Friday of the last month in each quarter, trading during the last half-hour was conducted under voluntary guidelines recommended by the U.S. Securities and Exchange Commission and the New York Stock Exchange.

Under those "market-on-close" guidelines, brokerages would disclose by 3:30 the amount of stock in 50 NYSE companies they planned to buy or sell at the close. The guidelines were buttressed by an SEC request that no arbitrage-related market-on-close orders be accepted after 3:30.

Failure to honor that request by a few firms marred last December's triple witching hour. On that day, a huge buy program submitted at the last minute by Salomon Brothers turned a sharp loss for the day into a 16-point advance in the Dow.

NASDAQ National Market

OTC Consolidated trading for week ended Friday. March 20

	Div	Yld	Sales in 100s	High	Low	Close	Net Ch'ge
A							
ABI	.80	4.2	3	19	18½	19	+ ½
ACC Cp			174	3¾	3¼	3⅝	— ⅜
ADC s			1171	21	19¾	20	— ½
ABC	.32	2.6	26	12¾	12	12⅝	+ ⅛
AEL			439	14¼	13¼	14⅛	+ ⅛
AEP			587	8	6¾	7	—1
AIFS			151	7¼	7	7	
AIM Tel			1066	6⅞	5½	6⅛	+ ½
ALC Cm			1825	4½	2⅝	4	+1⅜
ASK			3374	15⅝	14¾	14⅞	— ⅞
AST			5366	20⅞	18⅛	20⅞	+2⅛
AT&E			4430	21	19	20¼	— ⅜
ATI			1611	11½	10⅝	11⅜	+ ⅛
AW A			149	3	2⅝	2¾	
BayVw			1972	16⅛	15⅞	15¾	+ ⅛
BayaSL s			574	24⅝	24	24	— ½
BayBks	1.32	3.0	1527	44¼	41¾	44	+1⅞
Bayly	.12	.7	1143	18⅜	18	18⅛	+ ¼
Bayou			117	5⅝	5½	5⅝	+ ⅛
BeautiC			9685	8	6¼	7¾	+1½
Beebas			1155	15¼	14¾	14½	— ⅜
Begley	.72	4.0	3	18	18	18	— ½
BelFuse			1208	14½	12¾	13½	+ ¾
BellW			349	6½	5¾	6	— ⅜
BellSv			1474	15⅝	15⅛	15½	+ ⅜
BenJer			1127	21	19¾	21	+ ¼
BnchC s			259	11⅞	11½	11½	— ⅜
Benhan			530	4⅞	4⅝	4⅝	— ¼
BenlSv			2588	10⅝	9⅞	10⅛	— ⅛
Bercor			16	8½	8¼	8½	+ ½
Berkly s	.24	.7	5399	34	33	33⅝	— ⅛

[E]UROBONDS

(Continued from first finance page)

... if the bank skips paying ... on its common stock. ... Australian banks, a suspen... of dividends for a full year ... the right to reduce or ... the interest due on the ... This is a right, not an ... as it is for the British ... for example.

... Westpac were to suspend ser... the perpetual, PSL would ... be put into liquidation ... holders of the FRN and zero... bond would be paid out on ... basis spelled out in the ... Thus the high margin ... points over Libor on the ... designed to compensate for ... risk.

... zero-coupon bond at ma... will be redeemed not with ... with Westpac's perpetual. ... zero-bond paper having a ... value of $1,000 will be re... with Westpac perpetual ... face value of $1,000. What ... will be worth in 15 ... anybody's guess.

... the perpetual could be ... current price of 88, the ... of the zero who original... $195 would receive paper ... $880, a capital gain equiva... earned 10.96 percent ... the 15 years.

... perpetual market had re... so that 15 years from now ... paper could be sold at ... the zero investor receiv... would have earned the ... of 11.51 percent per ...

... break-even point for specu... buying PSL's zero bond is a ... value on Westpac's perpet... around 55. At that level, ... Westpac paper would ... yield of around 7½ per... equivalent to what could be ... by purchasing today 15-... zero-coupon U.S. Treasury ...

(Continued on next page)

هكذا من الأصل

New International Bond Issues

Compiled by Laurence Desvilettes

Issuer	Amount (millions)	Mat.	Coup. %	Price	Price end week	Terms
FLOATING RATE NOTES						
Canon U.S.A.	$ 10	1989	0.18	100⅜	—	Over 6-month Libor. Noncallable private placement. Fees 0.40%.
C. Itoh Finance	$ 30	1992	libor	100.10	—	There will be no coupon in the first 2 years, then coupon will be 4% over 6-month Libor. Noncallable. Fees 0.10%. Denominations $50,000.
Pacific Securities	$130	2002	½	100	99.50	Over 6-month Libor. Partial repackaging of Westpac Banking's perpetual FRN issue. Noncallable. Fees 0.15%.
Midland Bank Int'l Financial Services	FF 900	1997	0.55	100	99.30	Over 3-month French Treasury bills until 1992 and 0.65 over thereafter. Callable at par in 1988. Also 90,000 five-year warrants, priced at 220 francs each, exercisable into an 8⅛% noncallable bond due 1997. Fees 0.70%.
FIXED-COUPON						
Kawasaki Steel Int'l Finance	$ 30	1994	7	101⅞	—	Coupon will be 7% in the first year and will rise to 8.44% in the final year. Denominations $100,000.
Meritor Savings Bank	$200	1992	7½	101⅜	99.25	Noncallable. Registered notes. Fees 1⅝%.
New Zealand Dairy Board Finance	$100	1994	8	100¾	98.13	Noncallable. Fees 1⅞%.
Nomura Int'l Finance	$150	1992	7¼	101⅛	99.63	Noncallable. Fees 1⅞%.
Pacific Securities	$130	2002	zero	20	18.75	At maturity, each note will be redeemed with a $1,000 face value perpetual FRN from Westpac Banking, paying 0.15 over 6-month Libor. Noncallable. Proceeds $24 million. Fees 1½%.
European Investment Bank	DM 400	1997	6⅛	100¼	99.13	Callable at 100% in 1994. Fees 1¾%.
Royal Insurance Finance	DM 300	1992	5½	100	99.75	Noncallable. Fees 2%.
Cheltenham & Gloucester Building Society	£ 50	1992	9¼	101¼	99.25	Noncallable. Fees 1⅝%.
Land Securities	£ 100	2007	9½	95¼	93.25	Noncallable. Fees 2⅝%.
MEPC	£ 75	2004	9⅞	99⅝	97.25	Noncallable. 25% due on suscription and balance in July. Fees 2⅝%.
Volvo	Lire 70,000	1990	10⅛	100½	100.00	Noncallable. Fees 1⅝%.
Finance for Danish Industry	DK 300	1992	11⅜	100¼	98.88	Noncallable. Fees 1⅝%.
Denmark	ECU 200	1992	7¼	101⅜	99.50	Noncallable. Fees 1⅝%.
Bank of Tokyo (Curaçao) Holdings	C$ 120	1994	8½	101⅛	99.25	Noncallable. Fees 1⅝%.
Bergen City	C$ 80	1994	8⅜	101½	99.63	Noncallable. Fees 1⅝%.
Chrysler Credit Canada	C$ 75	1993	9¼	101½	99.50	Noncallable. Fees 1⅝%.
GMAC Canada	C$ 100	1992	8½	101½	99.75	Noncallable. Fees 1⅝%.
Hamburgische Landesbank	C$ 75	1990	8¼	101⅜	99.88	Noncallable. Fees 1⅝%.
Household Financial	C$ 75	1994	9	101¾	99.75	Noncallable. Fees 1⅝%.
Municipality of Toronto	C$ 75	1997	8¾	101⅛	99.50	Noncallable. Fees 2%.
Austria	Aus$ 75	1992	14¼	101¾	99.75	Noncallable. Fees 2%.
Dresdner Finance	Aus$ 100	1992	14⅜	101½	100.50	Noncallable. Fees 2%.
National Australia Bank	Aus$ 40	1990	15	101⅜	99.88	Noncallable. Fees 1⅝%.
South Australia Government Financing Authority	Aus$ 25	1992	zero	51¾	51.25	Noncallable. Proceeds Aus$13 million. Fees 0.50%.
Swedish Export Credit	Aus$ 220	1992	9½	101¾	99.38	Coupon will be paid 75% in Australian dollars and balance in dollars or Deutsche marks, at holders' option. At maturity, redemption will be 50% in dollars and balance in dollars or marks, at holders' option. Exchange rate 1.24 marks per dollar. Noncallable. Fees 2%. Denominations Aus$500,000.
WestLB Finance	Aus$ 50	1992	14⅜	101½	100.60	Noncallable. Fees 2%.
World Bank	Aus$ 150	1992	zero	53	52.63	Yield 13.54%. Noncallable. Proceeds Aus$78 million. Fees 1⅛%.
Associates Corp. of North America	Y 15,000	1992	5	102⅝	100.38	Noncallable. Fees 1⅝%.
Christiania Bank	Y 15,000	1992	7½	101¾	100.00	Redemption amount linked to the U.S. dollar/yen exchange rate. Fees 1⅝%. Denominations 10 million yen.
Crédit Lyonnais	Y 19,000	1992	zero	81.22	—	Yield 4.23%. Noncallable. Proceeds 15,200 million yen. Fees 1.55%. Denominations 10 million yen.
Elsportfinans	Y 15,000	1992	5	103	102.13	Noncallable. Fees 1⅝%.
Export Development Corp.	Y 15,000	1992	4½	101⅛	99.88	Noncallable. Fees 1⅝%.
Toronto Dominion Bank	Y 20,000	1992	4⅜	101⅝	—	Noncallable. Fees 1⅝%.
EQUITY-LINKED						
Home Shopping Network	$150	2002	5½	100	—	Sinking fund to start in 1995. Convertible at an expected 25% premium. Fees 2⅝%. Terms to be set March 25.
British Land Co.	£ 33	2002	7½	101¾	100.75	Callable at 101 in 1992. Convertible at 248 pence per share, a 27.84% premium. Fees 2⅝%.
DRG	£ 40	2002	open	100	100.00	Coupon indicated at 6 to 6⅛%. Convertible at an expected 10 to 15% premium. Fees 2⅝%. Terms to be set March 26.
Rowntree Mackintosh	£ 69	2002	4½	100		Redeemable at 125 in 1992 to yield 8.70%. Convertible at 567 pence per share, a 14.3% premium. Fees 2⅝%.
WARRANTS						
Bankers Trust Int'l	0.20	1989	—	$31¼	—	Warrants give the right to exchange $500 for £312.50, representing a fixed exchange rate of $1.60 per pound.

EUROBONDS: *Morgan Transforms Dross Into Gold*

(Continued from first finance page)

suspended if the bank skips paying dividends on its common stock.

For Australian banks, a suspension of dividends for a full year gives them the right to reduce or suspend the interest due on the perpetuals. This is a right, not an obligation, as it is for the British banks, for example.

If Westpac were to suspend servicing the perpetual, PSL would immediately be put into liquidation and holders of the FRN and zero-coupon bond would be paid out on a pro-rata basis spelled out in the prospectus. Thus, the high margin of 50 basis points over Libor on the FRN is designed to compensate for this additional risk.

PSL's zero-coupon bond at maturity will be redeemed not with cash but with Westpac's perpetual. Thus, zero-bond paper having a face value of $1,000 will be redeemed with Westpac perpetual having a face value of $1,000. What that actually will be worth in 15 years is anybody's guess.

Assuming the perpetual could be sold at its current price of 88, the purchaser of the zero who originally paid $185 would receive paper worth $880, a capital gain equivalent to having earned 10.96 percent a year over the 15 years.

If the perpetual market had recovered so that 15 years from now the Westpac paper could be sold at face value, the zero investor receiving $1,000 would have earned the equivalent of 11.91 percent per year.

The break-even point for speculators buying PSL's zero bond is a market value on Westpac's perpetual of around 55. At that level, selling the Westpac paper would produce a yield of around 7½ percent, equivalent to what could be earned by purchasing today 15-year zero-coupon U.S. Treasury paper.

Thus, Westpac's perpetual would have to drop in value more than another 33 percentage points, from 88 to less than 55, for the speculation in the PSL zero to be considered unprofitable.

Depending on demand for the PSL paper, the price at which additional Westpac perpetuals can be bought and the yield at which the dated FRNs can be sold, Morgan reserved the right to increase within one year the amount of Westpac perpetuals being repackaged to $200 million from the present $130 million.

Launched at midday Friday, around $90 million of the FRN and a nominal $50 million of the zero-bond had been sold by late afternoon, Morgan reported.

The operation will be profitable for the bank. The underwriting fee on the FRN is 15 basis points and on the zero 1½ percent. Although Morgan would not say how much it paid for the Westpac perpetuals, it presumably paid less than 88 to accumulate the paper. In addition, it is arranging, for a fee, the swap for Westpac, transforming the de facto fixed-rate deposit into a sub-Libor floating-rate instrument.

Nevertheless, Morgan, the lead manager of Westpac's perpetual, and Westpac itself deserve some credit for taking the lead in trying to do something to improve the marketability, and ultimately the price level, of perpetual FRNs they sold to investors. Up to now, issuers and lead managers have taken the view that investors should have understood the risks before buying perpetuals.

That is certainly true. But surely issuers and underwriters have their own reputations at stake when $18 billion of paper is abandoned to languish at a paper loss exceeding $2 billion.

The other piece of financial engineering worth noting last week was Yamaichi's 15 billion Euroyen bull bond for Christiania Bank of Norway. This is different from earlier so-called heaven-or-hell currency options in that the former hell has now been transformed into heaven. For holders of Christiania's 7½ percent paper, a rise in the value of the yen against the dollar increases the redemption value of the bond.

The dollar currently is worth about 151.50 yen. If there is no change, holders would receive fewer yen than they had paid for the paper, earning a de facto rate of interest of 0.89 percent to maturity.

At an exchange rate of 130 yen, the bank's bond would be redeemed at par for an annual return of 7½ percent. An exchange rate of 120 yen produces a yield of 10½ percent; a level of 110 gives a yield of 13⅜ percent and at 100 yen per dollar, holders would earn the equivalent of 16.05 percent.

The paper is aimed at Japanese investors who want to hedge their holdings of U.S. dollar securities against a continued appreciation of the yen.

The Christiania paper, offered at a price of 101¾, has a nominal maturity of five years, the minimum maturity allowed under Japanese rules, but the issue can be called for early redemption by the issuer or put by the investors for premature redemption at the end of the third and fourth years.

Boston Globe Parent Buys Billboard Magazine

New York Times Service

NEW YORK — Affiliated Publications, the parent of The Boston Globe newspaper, has bought Billboard Publications Inc. for $100 million.

Billboard is the parent of Billboard magazine, the leading trade publication for the recorded music industry. Affiliated announced the sale Friday.

FRN Prices Improve, But the Shadow Remains

By Carl Gewirtz
International Herald Tribune

PARIS — Prices of dated floating-rate-note bank paper improved last week, but the previous week's upset and the continuing uncertainty about what banks will have to pay to borrow funds in the future is casting a shadow over the international credit market.

The FRN market traditionally has been an important funding

INTERNATIONAL CREDIT

source for banks. Loan officers are wondering whether, if banks' borrowing costs are rising, an increase in loan charges can be far behind.

Charges over the past years have declined dramatically — to the point where it is easier to express them in terms of basis points, or hundredths of a percentage point, than in fractions, as had long been the custom.

This decline reflected, in part, low demand from quality borrowers but, more importantly, a fall in interest payments on deposits. Traditionally, banks financed themselves in the interbank market, paying the London interbank bid rate (or slightly below, depending on the quality of the bank and the size of the deposit), and lending at a wide margin over the London interbank offered rate, which is normally ⅛ percentage point over Libid.

But the surge in demand for FRNs in recent years meant that banks could buy deposits even more cheaply, at a cost significantly below Libid. Competitive pressures forced banks to share some of this saving with borrowers by lowering lending charges.

That low-cost funding source now seems closed, and banks are increasingly turning to the swap market, issuing fixed-rate bonds in Australian dollars, Euroyen and Canadian dollars and swapping the proceeds into sub-Libid floating-rate dollars. But the swap market is fickle, dependent on interest-rate differentials between currencies, and these can fluctuate in the time it takes to read a news bulletin.

No evidence exists yet that lending charges are rising. Bankers themselves insist that the charges are too low while at the same time arranging new loans at ever thinner terms.

Nevertheless, attention is focused on the progress, said to be very slow, of the $200 million, eight-year loan First Chicago underwrote and is now syndicating for Vneshtorg, the Soviet Foreign Trade Bank.

The charge, as earlier reported, is set at a record low ⅛ percentage point, or 12½ basis points, over Libor. Thanks to various technical differences, the return to banks is virtually no different from the previous eight-year loan carrying a split margin of ⅛ to ¼ point over Libor. But acceptance of the ⅛-point margin is important to the Russians, for in subsequent loans the technicalities can be changed and a real drop in charges achieved with much less public notice.

The syndication is scheduled to be completed on Friday. Marketing of the loan has been complicated also by rumors of a "club" loan concurrently being organized among Italian banks at more favorable terms — ⅛ point over Libor for only five years. However, the rumors in London could not be confirmed in Italy.

While questions abound about the future direction of loan charges, banks in Japan accepted a significant drop in fees on a new loan to Indonesia. Bankers say privately that the terms were forced down their throats by the Japanese government.

The 10-year loan of 5 billion yen is divided equally between a domestic fixed-rate portion, with interest set at the long-term prime rate and to be revised after five years, and a Euroyen floating-rate loan. The Euroyen loan bears interest at ⅜ point over Libor for the first five years and ½ point over Libor thereafter.

Japanese bankers say Indonesia should have been expected to pay at least ⅝ point over Libor for the money, with some arguing that a split of ⅝ to ¾ point over Libor would have been more realistic.

Elsewhere in the credit market, MAI PLC (formerly Mills & Allen International Group), a British financial services and advertising group, is seeking a $100 million, five-year multi-option facility. It will pay an annual fee of 7½ basis points.

Treasury Bonds

March 20

Maturity	Close Bid	Close Ask	Yield	Wk.-ago yield
31.10.88	99 14/32	99 16/32	6.37	6.39
15.8.89	99 30/32	100	6.51	6.51
30.9.90	99 14/32	99 16/32	6.69	6.68
11.15.91	99 10/32	99 12/32	6.78	6.76
15.10.93	99 28/32	99 30/32	7.01	6.99
15.5.96	100 6/32	100 10/32	7.21	7.18
15.2.06	117 4/32	119 4/32	7.64	7.62
15.5.16	99 23/32	99 25/32	7.52	7.49

Source: Salomon Inc.

Euromarts At a Glance

Eurobond Yields

	Mar. 18	Mar. 11
U.S. $, int'l inst., 8 yrs & over	8.02	8.07
public issuers, 8 yrs & over	8.07	8.16
industrials, 8 yrs & over	8.29	8.25
industrials, 5 to 7 yrs	7.97	8.27
Pounds sterling, 5 to 7 yrs	9.55	9.84
French francs, less than 5 yrs	8.97	9.20
ECU, 8 yrs & over	8.12	8.25
5 to 7 yrs	7.92	8.00
Can. $, 5 to 7 yrs	9.07	9.34
Aus. $, 5 to 7 yrs	14.52	14.29
N.Z. $, less than 5 yrs	17.65	17.01
Yen, 8 yrs & over	5.52	5.57
5 to 7 yrs	4.75	4.87

Source: Luxembourg Stock Exchange.

Weekly Sales

March 20

Primary Market

	Cedel $	Cedel Non$	Euroclear $	Euroclear Non$
Straights	542.60	1,182.10	1,161.20	2,788.00
Convert.	38.20	26.80	140.60	130.40
FRNs	10.80	207.70	50.00	293.80
ECP	740.00	51.50	3,965.80	56.50
Total	1,330.80	1,468.10	5,317.60	3,260.90

Secondary Market

	Cedel $	Cedel Non$	Euroclear $	Euroclear Non$
Straights	6,381.40	7,558.60	9,678.50	11,176.20
Convert.	379.20	223.50	1,129.40	394.00
FRNs	3,654.00	1,279.50	15,971.10	2,910.70
ECP	1,740.40	97.50	2,296.50	25.50
Total	12,155.00	9,159.20	29,075.50	14,506.40

Source: Euroclear, Cedel.

Libor Rates

March 20

	1-month	3-month	6-month
U.S. $	6 11/16	6½	6½
Deutsche mark	4 1/16	4 1/16	4⅛
Pound sterling	9 13/16	9 9/16	9⅜
French franc	8⅛	8¼	8⅛
ECU	7	7	7
Yen	4 9/16	4½	4 3/16

Source: Morgan Guaranty, Lloyds Bank, Reuters.

Bond Prices Dip, Capping Slow Week

By H.J. Maidenberg
New York Times Service

NEW YORK — Bond prices continued to meander in a narrow range late last week before closing slightly lower on selling linked to the expiration of the spot March Treasury bond futures contract.

Intermediate Treasury issues were basically unchanged, and the

U.S. CREDIT MARKETS

discount rates on bills were up 5 basis points on all maturities.

The light selling in the cash market on Friday came after a large amount of the March futures was sold moments before the contract expired, according to Chicago traders. This caused some traders, including those rolling March futures into the June delivery month, to hedge their positions by selling bonds short in the cash market.

Given the continued absence of any significant market news, dealers said the focus had shifted to this week's Treasury auctions of two-, four-, and seven-year notes.

Late Friday, the two-year notes scheduled for sale on Tuesday were offered on a when-issued basis at prices to yield 6.37 percent. The four-year notes, to be sold Wednesday, were similarly offered at a yield of 6.69 percent, while the seven-year notes, a recent favorite of Japanese institutional investors, traded to yield 7.02 percent. The yields were essentially unchanged from Thursday's close.

U.S. Consumer Rates

March 20

Passbook Savings	5.50 %
Tax Exempt Bonds — Bond Buyer 20-Bond Index	6.68 %
Money Market Funds — Donoghue's 7-Day Average	5.53 %
Bank Money Market Accounts — Bank Rate Monitor Index	5.44 %
Home Mortgage, FHLB average	9.54 %

Source: New York Times.

International Bond Prices

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Wall Street Review

AMEX Most Actives

	Vol.	High	Low	Last	Chng.
Wickes	34235	4	3¾	3⅞	
HmeSh s	32368	24⅞	20½	20⅞	—3⅞
WangB	28068	16⅛	15	16⅛	+1
TexAir	25898	42⅜	39¾	40¾	—1¼
WDigitl	19409	25⅜	22⅝	22½	—3⅝
BAT	16358	8½	8⅛	8¼	+ ⅛
Asmr g	14460	10½	9¼	10½	+ ⅝
LorTel	13961	21⅜	18⅞	20⅞	+ ⅝
FruitL n	13611	9½	9	9¼	+ ½
NRMAc pf	12873	18	18	18	
GHCda	11796	22⅞	20¼	22¼	+2
Alza s	10898	35⅞	31½	35	+2⅝
Hasbr s	10854	26⅛	24⅞	26	+1
Amdahl	9520	39⅞	36⅛	39⅝	+1⅝
ICH s	8515	18	16¼	16⅞	
NYTme s	7723	47	44⅝	46⅝	+1⅞
Lionel	6486	9⅞	8¾	9	— ⅛
Congsl	5951	6	4⅞	5¼	+ ¾
DWG	5884	5⅛	4⅝	5⅛	+ ⅛
TIE	5846	3⅜	3	3⅜	— ⅛
ChmpH	5834	1⅞	1⅝	1⅞	+ ⅛
EchoB g	5800	35⅞	33⅝	34¾	+1
EntMk s	5693	15⅝	14	14⅞	
FAusP n	5558	8⅝	8⅛	8½	— ⅛
CustEn	5388	1⅝	1⅛	1⅝	+ ¼

NYSE Most Actives

	Vol.	High	Low	Last	Chng.
PhilPet	133138	15⅝	13⅞	15½	+1⅛
Oak Ind	112747	2	1	1⅞	+ ¾
USX	104899	28	24¾	27⅞	+2⅞
AT&T	94123	24	22⅞	24	+ ⅜
AmMot	84427	4½	4¼	4½	+ ¼
OcciPet	81875	33½	30⅞	33½	+2½
IBM	81086	149¼	143⅛	148⅝	+3¾
AmExp	78521	81¼	76¼	77¼	— ¼
Salomn	73002	42½	38⅞	40¾	+ ⅝
PanAm	72203	4⅞	4⅛	4⅜	— ⅜
Schlmb	71303	40¼	36⅜	40	+2⅝
TexUtil	68273	34⅝	33	33½	— ⅜
Navistr	67844	7½	6⅝	7⅛	+ ⅛
Chevrn	64937	57⅞	52⅝	57¾	+5¼
NtSemi	63391	16⅝	14⅞	16⅛	+1½
Exxon	62446	86	81⅝	85⅝	+3⅛
vlLTV	61428	3⅛	2	3	+ ⅞
MerLyn	59496	46	41⅞	45⅝	+4⅝
Mobil	59179	49⅛	44⅞	48⅞	+3⅝
HewlPk	55106	62	55¾	61¼	+4
Motorla	54714	57¾	48⅞	55¾	+6¼
CocaCl s	51845	47⅞	45⅝	47⅞	+ ¼
GMot	51665	78½	76¾	78⅛	+ ¼
BristM	49797	111⅝	98¼	110	+10⅝
Texaco	47216	36¼	34	35⅞	+ ½

AMEX Sales

	Sales Vol.
Total for week	74,290,000
Week ago	78,680,000
Year ago	76,470,000
Jan 1 to date	828,400,000
1986 to date	753,580,000

NYSE Sales

	Sales Vol.
Total for week	910,510,000
Week ago	852,410,000
Year ago	782,630,000
Two years ago	515,900,000
Jan 1 to date	10,181,246,858
1986 to date	8,233,870,000
1985 to date	6,555,180,000

AMEX Diaries

	This Wk	Last Wk
Advanced	442	428
Declined	345	358
Unchanged	149	138
Total Issues	936	924
New Highs	115	126
New Lows	11	15

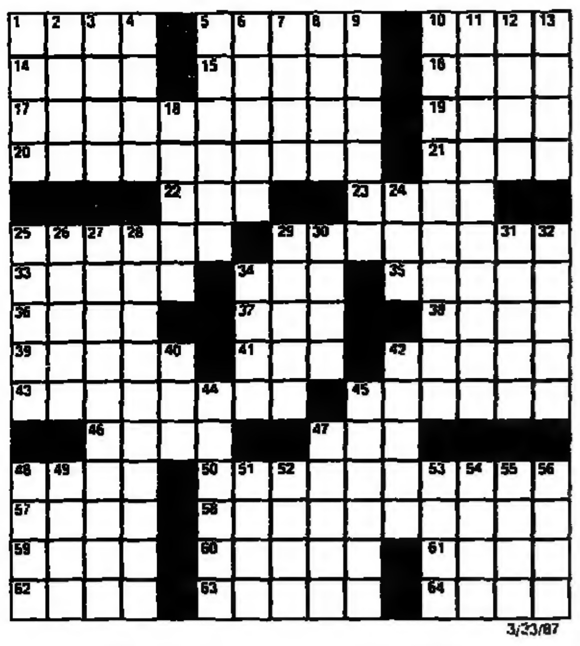
NYSE Diaries

	This Wk	Last Wk
Advanced	1245	1007
Declined	705	930
Unchanged	241	258
Total Issues	2191	2195
New Highs	328	308
New Lows	30	29

NASDAQ National Market

OTC Consolidated trading for week ended Friday.

SPORTS



ACROSS

1 Venetian traveler
5 Golden Horde member
10 Novelist Wister
14 Composer Stravinsky
15 Dispense with nuptials
16 Polynesian gesture dance
17 Actress from Wash.
19 Plod in mire
20 Singer from Mich.
21 Seine sights
22 Buddhist branch
23 Anagram for dote
25 Subsided gradually
29 TV performer's reward for reruns
33 Aids a felon
34 Sail afore the foremast
35 Slow, to Mehta
36 Stinging sensation
37 Springsteen's birthplace
38 Spanish length unit
39 Medieval bailiff
41 Hideaway
42 Yearned
43 Appraiser
45 Sews loosely
46 Bridge position
47 Small island
48 Peat, for one
50 Actor from Egypt
57 Eng.
58 Drummer-songwriter from England
59 —— fixe
60 Singer John
61 Hautboy
62 Desolate
63 Revue components
64 Candy flavor

DOWN

1 ——à-terre
2 Make eyes at
3 Lounge
4 Preacher Roberts
5 Started to cry
6 Outlander
7 Whole step, in music
8 Gibbons
9 Treats a broken bone
10 Actor-writer from Ga.
11 Historian from Mass.
12 Bacchanal's cry
13 Badgers
18 Tears down
24 Neat's-foot ——
25 Insect's lips
26 "—— Irish Rose"
27 Singer from N.Y.
28 Entertainer from N.Y.
29 Staircase part
30 Author of "My People"
31 Coincide
32 Oodles
34 A martial art
40 Curve
42 Tracks
44 Caches
45 Buffaloes
47 Patois
48 Go bankrupt
49 Loosen
51 Exploit, in a way
52 Opponent
53 Energy source
54 Physics Nobelist: 1944
55 Do laundry work
56 Guitar part

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DENNIS THE MENACE

"WOW! WE MUSTA POLISHED OFF THE WHOLE COW THIS TIME!"

JUMBLE — THAT SCRAMBLED WORD GAME by Henri Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

PLIME

ATEAB

ENSCOD

TOSEFF

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Answer here: ○○○○ BY THE ○○○○

(Answers tomorrow)

Friday's Jumbles: EPOCH AGATE MADMAN GALAXY
Answer: What the victim thought when the robber stuffed his mouth with a dirty cloth — "THAT'S AN OLD GAG"

WEATHER

EUROPE	HIGH C	HIGH F	LOW C	LOW F	
Algarve	18	64	9	48	fr
Amsterdam	8	46	0	32	cl
Athens	17	63	11	52	cl
Barcelona	14	57	5	41	cl
Belgrade	9	48	0	32	o
Berlin	5	41	0	32	o
Brussels	5	41	0	32	o
Bucharest	—	—	—	—	na
Budapest	8	46	0	32	fr
Copenhagen	4	39	0	32	o
Costa Del Sol	19	66	10	50	fr
Dublin	6	43	1	34	r
Edinburgh	8	46	-1	30	r
Florence	15	59	0	32	fr
Frankfurt	6	43	2	36	o
Geneva	7	45	1	34	o
Helsinki	-1	30	-5	23	sw
Las Palmas	21	70	16	61	o
Lisbon	16	61	9	48	cl
London	9	48	0	32	o
Madrid	15	59	0	32	fr
Milan	11	52	3	38	cl
Moscow	-4	25	-5	23	sw
Munich	7	45	-2	28	o
Nice	11	52	6	43	cl
Oslo	1	34	-3	26	o
Paris	8	46	0	32	cl
Prague	4	39	-1	30	o
Reykjavik	0	32	-9	16	o
Rome	14	57	2	36	fr
Stockholm	2	36	-4	25	cl
Strasbourg	9	48	4	39	o
Venice	11	52	0	32	fr
Vienna	9	48	-1	30	fr
Warsaw	7	45	-3	26	fr
Zurich	6	43	0	32	o
MIDDLE EAST					
Ankara	7	45	-7	19	fo
Beirut	—	—	—	—	na
Cairo	23	73	10	50	fr
Damascus	—	—	—	—	na
Istanbul	15	59	7	45	fr
Jerusalem	19	66	8	46	fr
Tel Aviv	24	75	7	45	fr
OCEANIA					
Auckland	22	72	15	59	o
Sydney	24	75	16	61	fr

ASIA	HIGH C	HIGH F	LOW C	LOW F	
Bangkok	25	77	25	77	cl
Beijing	4	39	0	32	o
Hong Kong	27	81	21	70	o
Manila	34	93	27	81	fr
New Delhi	29	84	19	66	cl
Seoul	10	50	5	41	r
Shanghai	12	54	8	46	r
Singapore	—	—	—	—	na
Taipei	28	82	20	68	o
Tokyo	14	57	9	48	r
AFRICA					
Algiers	18	64	8	46	cl
Cape Town	25	77	16	61	fr
Casablanca	18	64	8	46	cl
Harare	30	86	19	66	cl
Lagos	31	88	23	73	o
Nairobi	—	—	—	—	na
Tunis	15	59	10	50	r
LATIN AMERICA					
Buenos Aires	24	75	16	61	o
Caracas	—	—	—	—	na
Lima	27	81	20	68	o
Mexico City	31	88	11	52	cl
Rio de Janeiro	30	86	24	75	fr
NORTH AMERICA					
Anchorage	7	45	1	34	st
Atlanta	23	73	8	46	fr
Boston	6	43	1	34	cl
Chicago	15	59	0	32	fr
Denver	4	39	-4	25	cl
Detroit	14	57	-1	30	fr
Honolulu	30	86	21	70	fr
Houston	25	77	14	57	cl
Los Angeles	15	59	6	43	sh
Miami	26	79	16	61	pc
Minneapolis	13	55	2	36	pc
Montreal	6	43	1	34	r
Nassau	26	79	15	59	fr
New York	11	52	2	36	pc
San Francisco	14	57	6	43	pc
Seattle	14	57	4	39	fr
Toronto	11	52	-3	26	cl
Washington	15	59	4	39	fr

cl-cloudy; fo-foggy; fr-fair; h-hail; o-overcast; pc-partly cloudy; r-rain; sh-showers; sw-snow; st-stormy.

MONDAY'S FORECAST — CHANNEL: Choppy. FRANKFURT: Fair. Temp. 9—2 (48—36). LONDON: Rain. Temp. 10—3 (50—38). MADRID: Fair. Temp. 16—1 (61—34). NEW YORK: Partly cloudy. Temp. 15—4 (59—39). PARIS: Overcast. Temp. 10—4 (50—39). ROME: Cloudy. Temp. 15—2 (59—36.) TEL AVIV: Na. ZURICH: Fair. Temp. 8—1 (46—34). BANGKOK: Na. HONG KONG: Na. MANILA: Na. SEOUL: Na. SINGAPORE: Na. TOKYO: Na.

SPORTS BRIEFS

Iowa State Ends Iowa's Wrestling Reign

COLLEGE PARK, Maryland (AP) — Iowa State, on Bill Kelly's upset victory Saturday at 126 pounds (57 kilograms), ended archrival Iowa's nine-year reign as U.S. college wrestling champion by winning the NCAA Division I title.

Four Cyclones won individual titles — two from Iowa defending champions — in helping to prevent Iowa from becoming the first school to win 10 consecutive national team titles in a sport. Iowa State finished with 133 points to Iowa's 108 while Penn State, without an individual champion, was third with 97¼ points as eight Nittany Lions finished in the top eight at their weights.

The Cyclones won all but one of their five title matches, with Kelly clinching the team title when he pinned returning champion Brad Penrith of Iowa with 29 seconds remaining. Unbeaten sophomore Tim Krieger followed by edging defending 150-pound champion Jim Heffernan of Iowa, 2-1 in overtime. The Cyclones' other individual champions were Stewart Carter at 158 pounds and sophomore Eric Volcker at 190.

Crenshaw Takes Lead in New Orleans Golf

NEW ORLEANS (AP) — Ben Crenshaw birdied three of the first five holes Saturday en route to a five-under-par 67 and a two-stroke lead after three rounds of the USF&G Classic golf tournament.

Ronnie Black shot 69 and was second, with a 203 total, after a bogey at 18. Tom Watson, a two-time winner in New Orleans, carded a 66 that tied him at 204 with Curtis Strange, Jay Haas and Keith Clearwater. Hass and Strange also shot 66, Clearwater 65.

Dick Mast, the leader for two rounds, shot 73 and was at 205 with Bob Gilder, who had been in second place before carding 72. Mast's 79-year-old veteran tour caddy, Lee Lynch, had been hospitalized Thursday night suffering from acute emphysema.

Solution to Friday's Puzzle

Howser Recovering

PASADENA, California (AP) — Dick Howser, 50, the former manager of major league baseball's Kansas City Royals, was listed in good condition following a third operation for a malignant brain tumor.

Howser underwent surgery Friday at Huntington Memorial Hospital. The tumor was discovered last July.

The operation involved a second experimental cancer treatment operation known as immunostimulation. An identical operation — in which cancer-killing cells are injected into the area of the malignant brain tumor — was performed Dec. 5.

France Defeats Ireland for Rugby Sweep

The Associated Press

DUBLIN — France completed a sweep of its Five Nations rugby matches with a 19-13 defeat of Ireland here Saturday. Flanker Eric Champ scored both French tries and right wing Philippe Bérot kicked a conversion and three penalty goals. Irish right wing Trevor Ringland and scrumhalf Michael Bradley scored tries; center Michael Kiernan kicked a conversion and a penalty goal.

In Edinburgh, the Scots beat Wales, 21-15, on tries by No. 8 John Beattie and flanker John Jeffrey, a dropped goal by flyhalf John Rutherford and two conversions and two penalty goals by fullback Gavin Hastings. New Welsh No. 8 Mark Jones scored a try, Jonathan Davies kicked a dropped goal and fullback Mark Wyatt added a conversion and two penalty goals.

Fourth 'Slam' in Two Decades

By Bob Donahue
International Herald Tribune

PARIS — The grand slam, it is called: a rare, four-for-four clean sweep. The Five Nations tournament in its present form was 58 years old before France did it the first time. But now the French have *four grand-slam captains:* Christian Carrère in 1968, Jacques Fouroux in 1977, Jean-Pierre Rives in 1981 and Daniel Dubroca in 1987.

Four slams in 20 years — compared to three for Wales (1971, 1976, 1978), one each for England (1980) and Scotland (1984) and none for Ireland — confirm French ascendancy in Europe. As captain in 1977 and coach since 1981, Fouroux will get a lot of the credit.

Two frequent criticisms of Fouroux have been answered. One was that the French lacked discipline. But the penalty-goal tally against them this year was only 12-9, and in three matches they engineered cool comebacks. Wales had a 9-3 lead at halftime in Paris but lost, 16-9; England had a 12-3 halftime lead at Twickenham but lost, 19-15; the Irish were 10-0 up after 12 minutes.

A second criticism had to do with France's *failure to do itself* justice away from home. But the only two away victories this year so far have been French.

The annual tournament will conclude April 4 with Scotland at England and Ireland at Wales.

Scotland, which has won at home against Ireland and Wales, will be aiming to change the pattern with a victory against England (three losses so far) that would leave it in second place with three victories. Either Ireland or Wales can finish third with two victories.

France used 17 players, including Jean-Baptiste Lafond, who replaced fullback Serge Blanco in the 16th minute of Saturday's second half. The crowd gave Blanco an ovation as he shuffled off with rib damage. His 49th match for France was the first he failed to finish.

Ireland's Ringland was the sensation of the day with a virtuoso show of barging and sidestepping that took him past five French defenders for a fifth-minute try in the corner. The move started at an Irish scrum on the French 22, with flanker Philip Matthews making ground and feeding scrumhalf Bradley. Center Brendan Mullin passed to Ringland. Kiernan converted.

A *second try stunned* the French seven minutes later, this time from a French scrum. Bradley caught No. 8 Laurent Rodriguez, and Irish No. 8 Willie Anderson sent prop Des Fitzgerald barreling on. Matthews carried, Bradley pounced and it was 10-0. But that was all for Ireland, except for Kiernan's penalty goal early in the fourth quarter.

Having absorbed early pressure, the French took charge, led by scrumhalf Pierre Berbizier and a battering cavalry of big loose forwards — Rodriguez, Champ and Dominique Erbani. The French "just kept coming in wave after wave," said the Irish captain, lock Donal Lenihan. "No matter how many tackles we put in, there always seemed to be someone in support ready to take the ball on."

Great Irish defense — and sloppy French handling — spoiled half a dozen scoring chances, as France spent most of the match deep in Irish territory. Bérot's first penalty finally made it 10-3 at halftime. French tries came in the ninth and *18th minutes of the second half.*

The first developed from French lineout. Lock Francis Haget and Berbizier launched Erbani. Rodriguez and Berbizier carried on from the ruck and lanky Champ sailed across like a guided missile. Bérot converted.

The second rewarded France's superior shove in an Irish scrum. With Bradley in trouble, left wing Eric Bonneval charged down a low kick by the scrumhalf and sent Champ galloping to glory.

Ch. Pichon/Reuters

CENTERS IN MOTION — Denis Charvet attacks, with Philippe Sella in support and Ireland's Michael Kiernan defending.

PEANUTS

BLONDIE

BEETLE BAILEY

ANDY CAPP

WIZARD of ID

REX MORGAN

GARFIELD

WORLD STOCKS IN REVIEW / *Via Agence France-Presse*

Amsterdam

Prices turned weaker early last week on the Amsterdam stock exchange. A declining dollar, renewing uncertainties in the banking world, and profit taking were among factors blamed for the downturn.

But the ANP-CBS general index ended the week slightly up at 275.6, against 275.1, with total turnover moving from 5.435 billion guilders to 6.240 billion.

According to the stockbrokerage Kempen & Co., insurance is the sector to watch now, as companies have not yet released 1986 results and 1987 forecasts. Kempen says such forecasts could be surprisingly good.

Frankfurt

The Frankfurt stock exchange last week turned in its worst performance since October 1985, as share prices lost 5 percent and the Commerzbank index gave up 67.2 points to close at 1,644.5.

Volume was 13.574 billion Deutsche marks, against 14.303 billion DM a week earlier.

Sentiment was depressed as dealers feared that the coming denationalization of Veba and the public sale of shares in Hochtief and Babcock would weigh heavily on the market.

Trading was also affected by a fall in Bayer shares, down 20.60 to 285 DM, after press reports disclosed that the group might have to compensate hemophiliacs who may have contracted AIDS through one of its products.

Volkswagen, despite its loss of nearly half a billion marks in an alleged currency swindle, was the only blue chip issue to advance, moving up 0.70 to 330.50.

Hong Kong

Bargain hunting on Wednesday and Friday reversed a downward trend on the Hong Kong stock market and helped push the Hang Seng Index up 59.37 points to 2,780.55 at the close Friday.

The broader-based Hong Kong Index gained 39.42 points for the week to close at 1,784.17.

Dealers were not surprised by the buying, which saw the Hang Seng Index rise 94.73 points Wednesday — the biggest one-day climb in 14 years — and 59.27 points on Friday.

After Wednesday's performance dealers noted that the market had been volatile for two weeks, and many expected the index to fluctuate between 2,650 and 2,800 in the near future.

Average daily turnover during the week was 855 million Hong Kong dollars, compared with 1.07 billion dollars a week earlier.

London

Shares were firmer on balance last week on the London Stock Exchange, helped by favorable response to the chancellor of the Exchequer's annual budget speech.

The Financial Times industrial share index closed up 15 points for the week at 1,598.9, while the FT-SE index, measuring 100 leading shares closed up 7.5 at 2,017.5. The number of transactions rose from 243,793 to 251,746.

The absence of any significant change in excise duties, together with a 2 pence cut in standard rate income tax, brought gains in stores, breweries and other consumer-related stocks.

Milan

Foreign investors returned to the Milan stock exchange last week, contributing to a 3.96 percent rise in the COMIT index after several lackluster weekly performances.

The index reached 315.15 on Friday, against 302.61 the previous week.

Analysts attributed the trend to the appointment of Antonio Maccanico to head Mediobianca and the prospect of a capital increase for the company, a recovery in Montedison and an increase in Fiat after an announcement that its purchase of Libyan shares in the company will be financed by the Instituto Mobiliare Italiano.

Volume rose to 216 million shares, worth 988 billion lire, from 160 million shares, valued at 770 billion lire.

Paris

Share prices on the Paris Bourse advanced last week and analysts said the market appeared ready to break out of the doldrums.

The CAC index for the week rose from 441.2 to 444.5.

Prices, continuing the previous week's trend, declined on Monday and Tuesday, despite good performances by such issues as Moulinex, Imetal and Alsacienne de Supermarches among others.

But dealers noted an abundance of liquidity and said daily announcements of 1986 corporate results ecnouraged buying orders.

The trend turned stronger Wednesday in anticipation of lower interest rates. The index staged a strong final showing Friday, when it rose to 444.5 after a record performance on Wall Street on Thursday.

Singapore

The Singapore stock market last week ended on a mixed note as trading activity picked up momentum in the final two days after slight falls at the start.

By midweek the market had a quick turnaround and the Straits Times Industrial Index, which had fallen to a low of 1000.07 points earlier, recovered to close at 1051.95 for a gain of 10.8 points on the week.

Local blue chips made some gains, while Malaysian stocks, which had attracted reasonable support in the last six weeks, were sidelined.

The turnover for the week was reduced to 184.85 million units valued at 349.10 million dollars, compared with 199.78 million units worth 412.96 million dollars the previous week.

Tokyo

Share prices, supported by bullish market trends worldwide, kept rising on the Tokyo Stock Exchange last week, with the two key market indicators soaring to record highs Tuesday and Wednesday in extremely heavy trading.

The 225-share Nikkei Stock Average, a 392.10 yen gainer the week before, added an187.47 yen to close the week at 21,657.67 yen.

The TSE index of all common stocks listed on the first section — about 1,080 — posted a 15.49 point advance to 1,869.70 Friday.

Many analysts agreed that the bullish trend would continue this week as the liquidation for March had been settled and the market was to begin what was virtually a new month's trading.

Turnover was extremely heavy last week, the daily average amounting to 1.699 billion shares against 1.17 billion shares last week.

Zurich

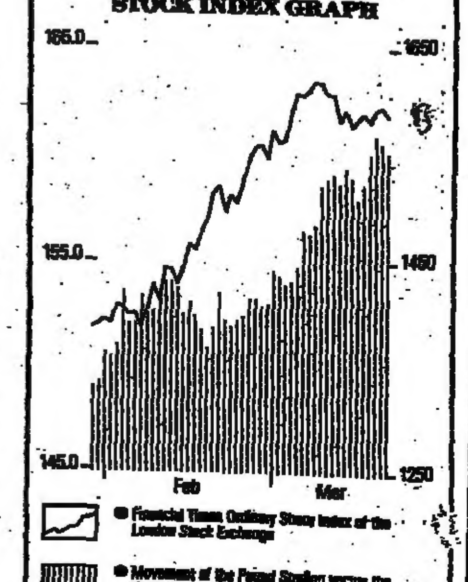
The anticipated recovery on the Zurich stock market failed to materialize last week when nearly all Swiss shares closed lower.

The Credit Suisse index dropped to 517.5 points, down from 535.6 the previous Friday.

"Buyers, doubtless attracted by U.S. and Japanese markets, were missing, a disenchantment that could continue [this week] when prices might hit their lowest levels," one market analyst said.

In the banking and finance sector, Union Bank of Switzerland gave up 200 Swiss francs to reach 4,925, while Oerlikon-Bührle bearer shares fell 85 francs to 1,160. Industrials and food concerns lost ground, with Fischer down 120 to 1,580 and Nestlé nominals giving up 205 francs to end the week at 4,535.

COMBINED CURRENCY STOCK INDEX GRAPH



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هكذا من الأصل

هكذا من الأصل

SPORTS

Hoyas, Tar Heels Are Finally Worn Down and Out

Compiled by Our Staff From Dispatches

LOUISVILLE, Kentucky — Reserve Darryl Wright scored a career-high 20 points Saturday, 11 during a 28-11 burst that put Providence in control, as the Friars upset

NCAA BASKETBALL

Big East Conference rival Georgetown, 88-73, to advance to the semifinals of the National Collegiate Athletic Association basketball tournament.

Providence, the Southeast Regional titlist, will next meet Syracuse, which upset North Carolina in the East Regional final.

On Friday night, top-ranked Nevada-Las Vegas joined Big Ten Conference schools Iowa and Indiana and upset winner Louisiana State in the tournament's final eight.

UNLV defeated upstart Wyoming and was to face Iowa — which outlasted Oklahoma in overtime — in Sunday's final in the West Regional. Indiana, victorious over Duke, advanced to Sunday's Midwest Regional final against Louisiana State, which got past DePaul.

SOUTHEAST REGIONAL

Providence 88, Georgetown 73: The Friars built an 18-point lead in the second half and refused to give in to the Big East champions' defensive pressure.

Guard Billy Donovan, who had led Providence to three earlier tournament victories, took only five shots from the field but still matched Wright's 20 points — by going 16-of-18 from the free-throw line. All-America Reggie Williams had 25 points for Georgetown, which ended its season with at 29-5.

The Hoyas, who had won 14 straight, were trying to to reach the NCAA tournament's final four for the fourth time in six years. Providence (25-8) had gotten to the semifinals only once before, in 1973, when is finished fourth.

Georgetown's greatest weakness, poor shooting, was exposed by the Friar defense; the Hoyas made only 26 of their 76 shots — 34.2 percent — from the floor.

The Friars twice built second-half leads of 18 points, at 57-39 and 59-41, before the Hoyas staged the rally that most of the crowd of 16,944 was expecting. Anthony Allen's free throw with 3:24 to go made it 76-67, but Georgetown never got closer as Donovan sank 11 of 12 foul shots in the final 2:39.

EAST REGIONAL

Syracuse 79, North Carolina 75: In East Rutherford, New Jersey, Rony Seikaly's 26 points helped the Orangemen gain the tournament's final four for the first time since 1975 as they withstood several Tar Heel rallies.

North Carolina (32-4) was denied a final-four berth for the fifth consecutive year despite having gone as far as a regional semifinal in each of those seasons.

Syracuse (30-6), which had a reputation for blowing big games in recent years, never trailed and extended a 40-31 halftime margin to 53-38 with 15:41 to go; then it withstood a 16-4 comeback, built on 11 straight points, that cut the deficit to 57-54.

Al Behrman/AP

For Coach Joey Meyer, seeing was all too believing as LSU beat the Blue Demons, 63-58.

Again Syracuse took charge, with Seikaly, a 6-foot-10-inch (2.07-meter) junior who was named the regional's outstanding player, working inside. His field goal made it 70-61 with 6:02 to play. But Kenny Smith, a senior all-America guard, converted a three-point play followed by a three-point shot with 2:01 left, which made it 76-73.

After Syracuse's Sherman Douglas and Derrick Coleman each missed free throws in one-and-one bonus situations, Greg Monroe made two foul shots for a 78-73 lead. Smith scored unmolested with 13 seconds left, making it 78-75, but, after Douglas sank one free throw, Smith missed on a three-point shot with four seconds to go.

WEST REGIONAL

Nevada-Las Vegas 92, Wyoming 78: In Seattle, senior Armon Gilliam scored 38 points as Nevada-Las Vegas pulled away in the second half after trailing by 39-38 at intermission.

Then Gilliam, a 6-9 forward, began scoring easily inside on soft jumpers to offset the Runnin' Rebels' cold shooting from three-point range. UNLV, the top three-point team in the country, made only four of the shots, going 3-for-14 in the first half.

But UNLV (36-1) used a full-court defense to create nine turnovers in the first 10 minutes of the second half, and Gilliam scored five points during a 16-5 run midway through the period.

Fennis Dembo, the leading scorer for Wyoming (24-10) this season, had 27 points.

Iowa 93, Oklahoma 91: Kevin Gamble's 21-foot straight-away jumper with two seconds left in overtime gave the Hawkeyes their victory after they had trailed by 16 points in the first half.

Iowa (30-4) scored the last five points of regulation and went ahead, 87-85, with 3:55 remaining in overtime on Gerry Wright's two free throws. The lead became 90-85 on B.J. Armstrong's three-pointer from the left of the key, but David Johnson pulled the Sooners to 90-87 on two free throws with 2:15 to go and Dave Sieger's lay-up made it 90-89 at 2:00. Then Tim McCalister made a steal for the Sooners and Darryl Kennedy freed himself for a lay-up with 1:03 left, sending Oklahoma ahead, 91-90.

The Hawkeyes got offensive rebounds after two misses in the final minute, and Gamble, alone beyond the foul line, made the winning shot. He finished with 26 points while McCalister, who sank seven three-pointers, led Oklahoma (24-10) with 26 points and Johnson had 20.

MIDWEST REGIONAL

Indiana 88, Duke 82: In Cincinnati, Keith Smart and Rick Calloway each scored 21 points as Indiana won despite all-America guard Steve Alford's getting only 18 points, 12 in the second half, while missing 10 of 16 shots from the field.

The Hoosiers used a 21-4 run in the first half to overcome Duke (24-9), which had held a 29-21 lead. The Blue Devils went 7:30 without a field goal as Indiana made its run with Calloway scoring eight points.

Indiana (27-4) took its largest lead on Alford's pull-up jumper at the start of the second half, and remained well ahead until Duke managed a brief flurry that made it 76-70 with 3:57 to play.

Danny Ferry, who scored 20 points, made a three-pointer with 3:27 left and Tommy Amaker, who led Duke with 23 points, did the same with 2:58 to go after Calloway made a jumper. That cut the lead to 78-76, but Indiana got five straight points, three by Alford, to ensure victory.

The loss was Duke's first in eight regional semifinal games. The Blue Devils lost last year's national championship game to Louisville.

Louisiana State 63, De Paul 58: Nikita Wilson scored 24 points and Anthony Wilson had 17, two on LSU's key basket with 23 seconds to go. De Paul scored only three points in the final 4:36.

Nikita Wilson, outmaneuvering De Paul center Dallas Comegys, scored 16 points the first half to help give LSU (24-14) a 38-34 lead. De Paul (28-3) stayed in contention on the shooting of point guard Rod Strickland, who got seven of his nine points in the second half. Comegys finished with 14. (AP, UPI, NYT)

Jack Smith The Associated Press

Roy Marble (23) and B.J. Armstrong had Oklahoma's Ricky Grace reeling in the first half of a game Iowa won in overtime.

Final Flurry By Carr Helps 'Huskers Win

United Press International

LINCOLN, Nebraska — Brian Carr scored seven points Saturday in the game's final 33 seconds to put Nebraska into the National Invitation Tournament semifinals with an 81-76 victory over Washington.

Tuesday night in New York, Nebraska will meet Southern Mississippi. Arkansas-Little Rock plays La Salle in the other semifinal.

"I'm a dreamer and an optimist, but this is beyond my expectations," said Danny Nee, the first-year coach of Nebraska (20-11). "We've beaten three quality teams," Marquette, Arkansas and Washington, "and now we're going to Madison Square Garden."

Carr's three-point shot with 33 seconds left put Nebraska ahead for good, 75-73, and his two free throws with 14 seconds left made it 77-73.

Greg Hill, who got 25 points, made his fifth three-pointer of the game with eight seconds to go, closing Washington (20-15) to 77-76. But Carr made two free throws a second later and Henry Buchanan made two with four seconds left.

Southern Mississippi 95, Vanderbilt 88: In Nashville, Tennessee, Randolph Keys scored 26 points to lead Southern Mississippi.

With the score tied at 60, Derrek Hamilton made two free throws for the winners. Vanderbilt countered with Barry Booker's foul shot, and Will Perdue's three-point play made it 64-62 with 12:15 left, but Carey Fisher's three-pointer with 1:43 to go put Southern Mississippi (21-11) ahead to stay at 65-64.

Perdue scored a career-high 34 points for Vanderbilt (18-16).

La Salle 70, Illinois State 50: In Philadelphia, freshman Lionel Simmons's 18 points and 15 rebounds helped La Salle win.

The Explorers (19-12) led by 32-22 at halftime and scored six of the first eight points of the second half. Illinois State (19-13) never again got closer than 11 points, and when it did, at 58-47 with 4:21 left, La Salle scored the next 12 points.

Derrick Sanders had 26 points for the Redbirds.

Arkansas-Little Rock 80, California 73: In Pine Bluff, Arkansas, Eric Brown scored 19 of his 27 points in the second half as Arkansas-Little Rock pulled away.

Brown was eight of 11 from the field, making three of four three-point shots, and eight of eight from the free-throw line.

He led an 8-2 run that gave the Trojans (26-9) a 59-46 lead with 10:20 to play. California (20-15) then switched to a man-to-man defense and closed to 76-73 with 56 seconds left on Kevin Johnson's layup, but he was called for charging on the play. Curtis Kidd sank two free throws to give Arkansas-Little Rock a 78-73 advantage.

Walliser, Schneider Tie, Share Giant Slalom Title

The Associated Press

SARAJEVO, Yugoslavia — Swiss teammates Maria Walliser and Vreni Schneider skied the year's final World Cup race, a women's giant slalom, in identical times Sunday to share the winner's trophy and the seasonal title in the discipline.

Walliser and Schneider, both clocked in 2 minutes, 19.27 seconds, wound up with 120 points apiece in the giant slalom. Walliser also captured top honors overall, ending the season with 269 points; Schneider had 262. Michaela Figini finished third in Sunday's race and Swiss teammate Brigitte Oertli, although 12th, ended the season with 206 points overall, for third place in the standings.

Sunday's race had been touted as the showdown between Walliser and Schneider, whose performances this season helped the Swiss women to their best showing ever. Schneider was ahead by 34-hundredths of a second after the first run, but Walliser erased the deficit with a second run of 1:08.62.

Meanwhile, Luxembourg's Marc Girardelli won a giant slalom, the men's season finale, but Swiss superstar Pirmin Zurbriggen won the title in the discipline. And on Saturday, Yugoslav Bojan Krizaj won the men's slalom title on the strength of a second-place finish and the default of Sweden's Ingemar Stenmark, his only rival.

Girardelli was clocked at 2:59.47 seconds, edging Joel Gaspoz of Switzerland by .06 seconds. Third was Austrian Rudi Nierlich in 3:00.26. Zurbriggen, clocked in 3:02.08, finished with 102 giant slalom points for the season, as did Gaspoz — but Gaspoz had to settle for second in the discipline because he had only two giant slalom victories for the season, compared to Zurbriggen's three.

With 339 points overall, Zurbriggen (who also had sewn up the downhill title) was unthreatened going into Sunday's race. But Girardelli, thanks to his victory, managed to move up behind him.

Girardelli wound up with 190 points overall for the season and dislodged West German Markus Wasmeier. Recovering from a serious fall, Wasmeier has not competed in the last eight cup events; he finished third overall with 174 points.

Krizaj covered Saturday's two 59-gate runs in 1:33.38, 26-hundredths of a second behind teammate Grega Benedik, who won the race in 1:33.12.

Stenmark's chances of winning the slalom title faded after a poor 19th-place showing in the first heat; they disappeared when he fell in the second.

Krizaj ended the slalom season with 105 points, compared to 96 for the veteran Swede. Third in the standings, with 78 points, was West German Armin Bittner, who finished seventh on Saturday in 1.33.82.

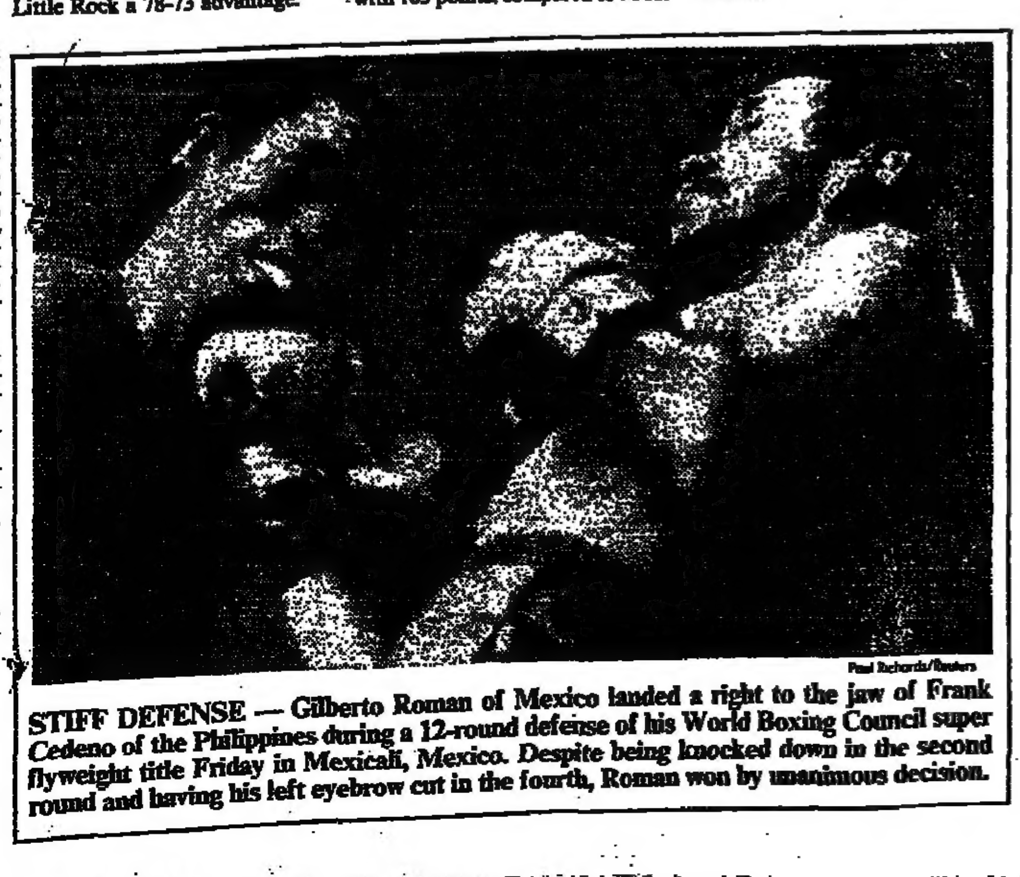
It was Benedik's first World Cup victory and the 30-year-old Krizaj's first World Cup slalom title. "I think I have waited long enough to win it," said Krizaj, who began cup competition in 1977. "I also think I have deserved it."

Attila Saran/Reuters

Swiss teammates Maria Walliser, above, and Vreni Schneider, racing to a dead heat in Sunday's giant slalom.

Attila Saran/Reuters

Stenmark, at 31 an eight-time cup slalom titlist, did not seem disappointed at being the slalom runner-up. "I had felt very confident, but it turned out to be a bad day for me," he said. "In the second heat I went for all or nothing, and nothing is silver."



Paul Richards/Reuters

STIFF DEFENSE — Gilberto Roman of Mexico landed a right to the jaw of Frank Cedeno of the Philippines during a 12-round defense of his World Boxing Council super flyweight title Friday in Mexicali, Mexico. Despite being knocked down in the second round and having his left eyebrow cut in the fourth, Roman won by unanimous decision.

SCOREBOARD

Basketball

National Basketball Association Standings

EASTERN CONFERENCE

Atlantic Division

	W	L	Pct.	GB
x-Boston	49	18	.731	—
Philadelphia	38	29	.567	11
Washington	35	31	.530	13½
New York	21	46	.313	28
New Jersey	20	47	.299	29

Central Division

	W	L	Pct.	GB
x-Atlanta	46	22	.676	—
x-Detroit	44	22	.667	1
x-Milwaukee	42	28	.600	5
Chicago	34	33	.507	11½
Indiana	32	35	.478	13½
Cleveland	26	43	.377	20½

WESTERN CONFERENCE

Midwest Division

	W	L	Pct.	GB
x-Dallas	44	23	.657	—
Utah	37	30	.552	7
Houston	36	32	.529	8½
Denver	29	39	.426	15½
San Antonio	24	43	.358	20
Sacramento	20	47	.299	24

Pacific Division

	W	L	Pct.	GB
x-L.A. Lakers	53	14	.791	—
x-Portland	41	26	.612	12
Golden State	34	34	.500	19½
Seattle	34	35	.493	20
Phoenix	24	43	.358	29
L.A. Clippers	11	54	.169	41

(x-clinched playoff spot)

FRIDAY'S RESULTS

Denver	32	18	27	29	—106
Philadelphia	21	31	27	37	—116

Barkley 10-16 6-7 26, Wingate 7-14 11-13 26; English 13-26-3-5 29, Rasmussen 7-14 3-4 17. Rebounds: Denver 50 (Rasmussen 12); Philadelphia 61 (Barkley 23). Assists: Denver 26 (English, Hanzlik 6); Philadelphia 26 (Barkley 9).

Milwaukee	25	20	33	19	— 97
Atlanta	33	24	29	28	—114

Wilkins 14-27 13-15 41, Wittman 9-18 1-1 19; Lucas 5-12 6-4 17, Pierce 8-11 1-1 17. Rebounds: Milwaukee 49 (Reynolds 9); Atlanta 65 (Willis ...

[illegible]

Phoenix 31 19 25 27—102

Mullin 9-13 8-9 28, Higgins 10-15 3-4 23; Adams 9-22 5-6 23, Sanders 9-15 2-2 20. Rebounds: Golden State 49 (L. Smith 11); Phoenix 51 (Nance 10). Assists: Golden State 25 (Floyd 9); Phoenix 25 (Humphries 11).

Chicago	30	34	25	29	—112
Sacramento	21	22	35	19	— 97

Jordan 13-25 14-15 40, Paxson 8-11 0-0 19; Johnson 11-20 3-4 29, Thorpe 6-9 3-4 15, Theus 6-12 3-4 15. Rebounds: Chicago 42 (Oakley 13); Sacramento 44 (Thorpe 10). Assists: Chicago 25 (Corzine 9); Sacramento 21 (Theus 13).

NCAA Tournament

EAST REGIONAL

Championship

March 21, at East Rutherford, New Jersey

Syracuse 79, North Carolina 75

SOUTHEAST REGIONAL

Championship

March 21, at Louisville, Kentucky

Providence 88, Georgetown 73

MIDWEST REGIONAL

Semifinals

March 20, at Cincinnati

Louisiana State 63, DePaul 58

Indiana 88, Duke 82

Championship

March 22, at Cincinnati

Indiana, 27-4, vs. Louisiana State, 24-14

WEST REGIONAL

Semifinals

March 20, at Seattle

Iowa 93, Oklahoma 91, OT

Nevada-Las Vegas 92, Wyoming 78

Championship

March 22, at Seattle

Nevada-Las Vegas, 36-1, vs. Iowa, 30-4

THE FINAL FOUR

(At New Orleans)

Semifinals, March 28

Syracuse, 30-6, vs. Providence, 25-8

Indiana or vs. Nevada-Las Vegas or Iowa

Championship, March 30

NIT Tournament

QUARTERFINALS (March 21)

Southern Mississippi 95, Vanderbilt 88

Nebraska 81, Washington 76

La Salle 70, Illinois St. 50

Arkansas-Little Rock 80, California 73

SEMIFINALS

(March 24, at New York)

La Salle, 19-12, vs. Arkansas-Little Rock, 26-9

Southern Mississippi, 21-11, vs. Nebraska, 20-11

CHAMPIONSHIP

(March 26, at New York)

Davis Cup Tennis

AFRICAN ZONE, SECOND ROUND

[illegible]

Hockey

NHL Standings

WALES CONFERENCE

[illegible]

European Soccer

ENGLISH FIRST DIVISION

[illegible]

WEST GERMAN FIRST DIVISION

[illegible]

... burg 19; Bayer Leverkusen 26; Stuttgart 25; Kaiserslautern, Werder Bremen 24; Cologne 23; Borussia Dortmund, Nuremberg 22; Borussia Monchengladbach 21; Bayer Uerdingen, Bochum, Schalke 20; Waldhof Mannheim 18; Eintracht Frankfurt 16; Hamburg 12; Fortuna Dusseldorf 10; Blau-Weiss Berlin 8.

ITALIAN FIRST DIVISION

Ascoli 1, Udinese 0

Atalanta 1, Verona 0

Avellino 0, Torino 0

Fiorentina 2, AC Milan 2

Inter Milan 1, Napoli 0

Juventus 1, Como 0

Roma 2, Empoli 1

Sampdoria 2, Brescia 0

Points standings: Napoli 34; Roma 31; Inter Milan, Juventus 30; AC Milan 29; Verona, Sampdoria 25; Avellino 21; Como, Torino 20; Empoli, Fiorentina, Ascoli 18; Brescia, Atalanta 16; Udinese 8.

Transition

BASKETBALL

National Basketball Association

NEW YORK—Placed Patrick Ewing, center, on the injured list. Signed Brad Wright, forward-center, to a 10-day contract.

PORTLAND—Placed Kenny Carr, forward, on the injured list.

World Cup Skiing

(At Sarajevo, Yugoslavia)

MEN

SLALOM

[illegible]

Halston, Fashion Hostage

By Lisa Belkin
New York Times Service

NEW YORK — Halston, the legendary fashion designer, sits in the two-story living room of his multimillion-dollar town house, his face slicked with bronzing gel. He wears a black turtleneck, black slacks and red blazer, the outfit that was his signature when he was the United States's foremost fashion designer. A fire fills the fireplace, white orchids fill the entry. Halston puffs a cigarette through an elegant white holder.

It is a scene that Halston has staged many times before, in better days. Days when he created clothes for Jacqueline Kennedy, Lauren Bacall, Liza Minnelli and Bianca Jagger.

Halston was the first American designer-celebrity. He was one of the first to define American fashion, taking the understated, casual, comfortable clothes that American women love and making them of the most luxurious and expensive of fabrics. But if his clothes brought him into the spotlight, it was his personality that kept him there. He had an air of the grand seigneur, an insistence that only the most expensive and exquisite things surround him.

Then he lost it. Halston, once an example of everything a designer could want, has become an example of everything a designer hopes to avoid. Although he ventures out from time to time and his face — older, more wan and less cocky — is sometimes pictured in the society news, he is mostly a recluse in his home, virtually a prisoner of the business agreements he entered into in 1973.

The candles began to flicker when Halston signed the agreement that has since ruined his life. He owned Halston Limited, which produced a line of ready-to-wear clothes and custom-designed couture clothes. He had also entered into licensing agreements allowing other companies to manufacture and sell such products as shoes and handbags bearing his name. The practice is common in the fashion industry, and it has accelerated in the last decade. Licensees pay a designer's company royalties of 5 percent to 7 percent of the money they make, wholesale, for products bearing the designer's name.

But Halston felt he needed a firm hand to keep his business on track, and he wanted an infusion of capital bigger than any license would bring in. He had in mind selling his whole business and himself along with it. He had been approached by representatives of Revlon and Chanel, felt uncomfortable with them, but found what he thought he needed in David J. Mahoney, chairman of Norton Simon Inc., a conglomerate that wanted to create an expensive designer perfume to upgrade its image.

On Nov. 5, 1973, Norton Simon paid $16 million for the ready-to-wear line, the couture operation and the Halston trademark. This allowed Norton Simon to use the name Halston for products the designer did not create. Halston could not use his name on any design product without Norton Simon's consent. Halston felt secure with Mahoney and was willing to put the future in his hands.

Some trace the beginning of Halston's fall to the April night in 1977 when he first entered Studio 54. Halston met Steve Rubell, the brash young co-owner of the newly opened discotheque, on a Sunday, and told him of a birthday party he was throwing for Bianca Jagger the next day. Halston asked if he could bring some friends to the club afterward; Rubell said Studio 54 was closed Monday nights. Halston raised one eyebrow and said, "Well, open it."

Rubell did, and Halston became a regular at the club. Until then he had regularly arrived at his office at 8 A.M. and stayed past midnight. But now he would be at Studio 54 "until 4 or 5 in the morning, so he'd come in around noon," says Bill Dugan, who was Halston's assistant for 12 years. "At this point, the workroom had been there half a day waiting for work."

There was talk that Halston had developed a problem with drugs. He refuses to speak about the rumors. Most of his friends agreed that he was no stranger to drugs, but disagreed as to their effect on his ability to work. "Drugs ruined his life," says one friend of 20 years, who asked not to be identified. His friend Berry Berenson says, "It was the 1970s, everyone was taking drugs. It wasn't a big thing then."

In time Rubell served a prison term for tax evasion and Halston spent less time at Studio 54. But as one temptation faded, another took its place in the unlikely form of J.C. Penney, the chain of low-price department stores. Penney approached Norton Simon with the idea of a line of inexpensive Halston clothes to be sold exclusively in its stores. Once again Halston was faced with a company that wanted to use his name to enhance its image. Once again he agreed.

Almost from the moment the deal was announced on Sept. 20, 1982, it became obvious that Halston had taken on too much. He was, in effect, designing for dozens of subdivisions within Penney.

His world began to collapse. In July Bergdorf Goodman — the store that had given him his start and carried his label for 20 years — announced that it would no longer sell Halston clothes because the designer's association with Penney had diluted his cachet.

Worse, Norton Simon was acquired that month in a takeover by Esmark Inc., a conglomerate that sold food products, leotards and underwear. Donald P. Kelly, Esmark's chairman, eliminated the job held by Mahoney, Halston's friend and protector. Less than a year after Norton Simon had been acquired by Esmark, Esmark was acquired by the Beatrice Companies, then a publicly owned conglomerate. According to Halston, the years his business was owned by Beatrice were ones of constant acrimony. Beatrice eliminated niceties such as limousines that Halston had come to assume were his right. It forbade the sewing staff to make personal clothes for him or his friends. In July, 1984, Beatrice executives suggested that Halston take a vacation. While he was gone, he says, Beatrice officials began to disassemble his company. Much of his staff was dismissed, including Leslie Frowick, his niece who was working as his assistant. Halston was locked out. He watched Beatrice dismantle Halston Enterprises. Beatrice kept only the fragrance and the line of clothes sold at J.C. Penney.

Until he sold his name Halston's life seemed a charmed one. Halston's love of fashion began with his grandmother's hats. By the time he was 7, she had to hide them lest her grandson tug at the feathers and poke through the veils. At the time he was Roy Halston Frowick, born April 23, 1932, in Des Moines, Iowa, the second of four children.

He enrolled in Indiana University, left two years later, enrolled in the Chicago Art Institute, but attended for only two semesters. He peddled hats at Chicago's Ambassador Hotel beauty salon. His first client was Fran Allison of "Kukla, Fran and Ollie," and within months he was creating hats for Kim Novak, Hedda Hopper, Deborah Kerr and Shirley Booth.

Halston collected people and was always generous to those he considered friends. His crowd included Andy Warhol, Joel Schumacher, the jewelry designer Elsa Peretti, the model Marissa Berenson, Berry's sister, the illustrator Joe Eula. These days, though, "there really isn't much to celebrate," he says, when asked why he has stopped throwing his lavish parties.

But he may be closer to one. Since last

Charlie Gerli

Halston in his New York office before the fall.

April there has been a new series of corporate maneuvers and Halston wound up with Revlon. Halston is now negotiating with his new owners.

One of the questions on the table is whether he will once again design. Nearly all his creations in the last two years were costumes, created without fee for Martha Graham's Dance Company. Revlon officials say they would like to find a niche for Halston, but stress they are not responsible for his turbulent past. Sol Levine, president of Revlon Inc., says: "All the other companies bought his company for other reasons. They wanted Wesson oil, they wanted Avis. The cosmetics business was something they didn't particularly want at all. We acquired it because we want it."

The new ownership will work only "if Halston wants it to work," Levine says. "He has to meet us halfway."

Halston seems unsure about what he himself wants. "Obviously I want to do something, and I hope it's better than anything I've done before," he says.

Many in the fashion industry say they hope the "something" includes a return to designing.

But others question whether he can ever successfully design again. "Toward the end, his fashions were getting too strange, he was trying too hard," says Ellin Saltzman, fashion director of Saks Fifth Avenue. "He would have a lot to prove if he started over again."

"It's a tragedy," says his friend Schumacher. "He had great talent, he was a genius, he was a great, great man." Then he winces. "Not was a great man, is a great man. Why do I talk about him in the past tense?"

LANGUAGE

The Lingo of the Deck

By Douglas Starr

NEW YORK — For hundreds of years — from Columbus until after World War II — the vast bulk of immigrants to the United States came by sea and brought the language of the sea ashore with them.

When sea language came ashore, it did what sailors often do: It changed to meet the new situation.

For example, one sea expression in common shore use is "the devil to pay," but this is really only half the phrase. The entire original was "the devil to pay and no pitch hot."

The "devil" was not Satan but the longest seam — just below the main deck, between two planks on the vessel's hull — running from stem to stern without a break.

"Pay" was the seaman's term for putting caulking into a seam and covering it with pitch. The only way to caulk that seam was for the seaman to be lowered over the side of the vessel on a stage or bosun's chair, with, among other things, a bucket of hot pitch. In any kind of sea, this could be rough work. Even in port, it was difficult. And, of course, as the pitch cooled, the work became harder.

Thus, initially, "the devil to pay" described a difficult task, almost a punishment. Now, it describes a threat, with the outmoded pitch eliminated.

Another nautical term that has undergone a transformation is "first shot out of the locker." Today, this means "what happens first." Initially, it meant that if what happened first went smoothly, what followed would be just as smooth. "Shot" referred not to a gun, but to a length of anchor chain measuring 15 fathoms (90 feet). The chain was kept in a locker in the bows of the vessel. If the first "shot" out of the locker ran smoothly after the anchor was let go, chances were that the rest of the chain would run out just as smoothly.

The initial meaning and today's meaning of "no room to swing a cat" are similar — confined quarters — but the origins of the phrase are more ominous. The "cat" was a whip, the cat-o'-nine-tails, used to flog seamen for a variety of offenses. It had nine strands, each 18 inches long and knotted at the ends and sometimes, in the middle, all of which was designed to provide maximum pain with minimum effort.

Punishment was meted out with the victim lashed to an upended grating on deck — giving the bosun plenty of "room to swing the cat" on the victim's bare back.

After the War of 1812, flogging fell into disuse. But traditionally, the brutal punishment was administered on the Monday after the offense, leading to the expression "blue Monday."

When the cat was not in use, it was kept in a bag. To "let the cat out of the bag," therefore, meant that someone was about to be flogged. Today, it means merely "to give away a secret."

Contrary to the way it sounds, "mind your p's and q's" initially had nothing to do with the letters of the alphabet. It had to do with how much each seaman drank. At waterfront establishments, seamen could run up a tab to be paid as they left. The pints were listed under "p" and the quarts, under "q."

It therefore fell to the quartermaster to ensure that the seamen were sober enough to serve on the vessel. So, as they left the vessel for an evening of revelry, he would admonish each one to "mind your p's and q's" — don't drink too much.

"Son of a gun" — now an appellation, or an interjection indicating surprise or annoyance — has an equally curious history. Because sailing voyages sometimes lasted three or four years, quite a few sailors and some officers took their womenfolk with them. Naturally, pregnancies occurred and births at sea were not uncommon. Sometimes, when a woman in labor was having too difficult a time, she would be taken out to lie by the vessel's cannon, which was then fired to provide the necessary impetus.

Today, "take the wind out of his sails" means to outdo someone, to get the better of someone. For sailors, it meant, literally, to put their vessel to windward of another vessel so as to block the wind from the sails of the other vessel, which happened several times during the recent America's Cup races.

Douglas Starr, a professor of journalism at Texas A&M University, wrote this column for The New York Times. William Safire is on vacation.